

**SUTTER COUNTY CHILDREN AND  
FAMILIES COMMISSION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
Financial Statements  
For the Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Commission Membership.....	i
 <u>Financial Section</u>	
Independent Auditor’s Report .....	1-3
Management’s Discussion and Analysis .....	4-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet .....	11
Statement of Revenues, Expenditures and Changes in Fund Balance .....	12
Notes to Financial Statements .....	13-30
 <u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund	
Balance- Budget and Actual .....	31
Notes to the Required Supplementary Information – Budget and Actual .....	32
Schedule of the Commission’s Proportionate Share of the Net Pension Liability and	
Contributions .....	33
Schedule of Changes in the Net OPEB Liability and Related Ratios and Contributions..	34-35
 <u>Supplementary Information</u>	
Schedule of Expenditures by Fund Source and Net Position of California Children	
and Families Commission Funds for the First 5 Programs and Activities .....	36
Schedule of the Status of Prior Audit Findings .....	37
 <u>Other Reports</u>	
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 <i>Government Auditing Standards</i> .....	38-40
Independent Auditor’s Report on State Compliance .....	41-42
Letter to Management.....	43-44

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION**

Commission Membership

June 30, 2019

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>	<u>Current Term Expires</u>
Jim Whiteaker	Commission Chair County Board of Supervisor	01/2007	No Set Term
Brad McIntire	City of Yuba Community Services Director	10/2018	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
Elizabeth Engelken	Sutter County Superintendent of Schools Assistant Superintendent, SELPA	10/2018	No Set Term
Mathew Gulbrandsen	Live Oak Unified School District Superintendent	10/2018	No Set Term
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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Lincoln, CA 95648  
Office (916) 434-1662  
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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, 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.

### 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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information, and Schedules related to the pension liability and other post-employment benefits on pages 4 through 8 and 31 through 35 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 30, 2019, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance

Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
October 30, 2019

## **Sutter County Children and Families Commission**

### **Managements Discussion and Analysis For the Year Ended June 30, 2019**

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

The 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, 2019.

#### ***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 13–30 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 \$1,572,047 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 (\$1,938,852). 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 Commission's balance is apportioned to the Commission. Another source of the net position also resides in the State Funds Receivable and Interest and Other Receivables of \$186,409 and \$10,307 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, 2019. The Commission also reports Grants and Contracts Payable of \$289,517, representing payments due on grant service contracts and other payables that had not been expended at year-end.



The Commission's net position decreased \$154,855 during the 2018-2019 fiscal year for the current year activity and decreased \$325,492 due to prior period adjustments related to the Net Pension and Net OPEB liabilities, additional information regarding this is reported in Note 13 on page 30. This decrease is explained in the government-wide financial statements and is primarily a result of expenditures in excess of revenues for the current year and is consistent with the strategic plan which calls for use of reserves to maintain current funding.

### ***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, 2019, as shown on page 11 the Commission reported an ending fund balance of \$1,840,029, a decrease of \$266,966 during the 2018-2019 fiscal year. This decrease represents the amount of expenditures in excess of revenues for the year ended June 30, 2019, and is consistent with the strategic plan which calls for use of reserves to maintain current funding.

The Commission has committed \$676,867 and assigned \$511,869 of its fiscal year 2018-2019 ending fund balance for future payments to awarded projects and future projects. The remaining \$651,293 fall under the category of unassigned fund balances.

## **SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION**

### **Balance Sheet Comparison**

(in thousands)

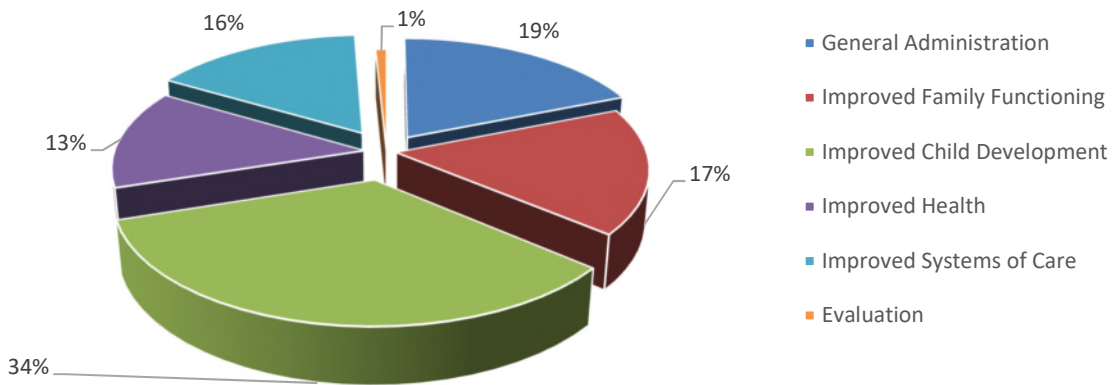
	<u>FY 2018-2019</u>	<u>FY 2017-2018</u>	<u>Difference</u>
Total Assets	\$ 2,136	\$ 2,216	\$ (80)
Total Liabilities	296	147	149
Fund Balance	<u>\$ 1,840</u>	<u>\$ 2,069</u>	<u>\$ (229)</u>

### **Revenues and Expenditures Comparison**

(in thousands)

	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>Difference</u>
Total Revenues	\$ 934	\$ 772	\$ 162
Total Expenditures	(1,201)	(1,115)	86
Prior Period Adjustment	38	--	38
Deficiency of Revenues over Expenditures	<u>\$ (229)</u>	<u>\$ (343)</u>	<u>\$ 114</u>

Total revenue (see above) consisting of Proposition 10 funds, interest income, and State Commission matching revenue increased from \$772 thousand to \$934 thousand for the year ended June 30, 2019. This increase was due primarily to the increased Proposition 56 funding, increase interest income and other revenues. Total expenditures increased to \$1,201 thousand, an increase of \$86 thousand from the prior fiscal year. Percentages of expenditures per program area are represented as follows.



***Fund Budgetary Highlight***

Total revenues were under budget by 3% or \$28,617. This was primarily due to Prop. 10 income coming in at less than expected. Expenditures were under budget by less than half a percentage point or \$4,570. The budget to actual comparison is on page 31-32 of this report.

***Capital Assets and Debt Administration***

***Capital Assets:*** As of June 30, 2019, 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 2019-2020.

- Committing funds to local organizations and community partners to provide services to children 0-5 (FY 2019-2020).
- 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 2019-2020:

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.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

**ASSETS**

## Current Assets:

Cash in County Treasury	\$ 1,938,852
State Funds Receivable	186,409
Interest and Other Receivable	10,307
Total Assets	<u>2,135,568</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows - related to pension plan	58,952
Deferred Outflows - related to OPEB plan	1,387
Total Deferred Outflows fo Resources	<u>60,339</u>

**LIABILITIES**

## Current Liabilities:

Grants, Contracts and Accounts Payable	289,517
Accrued Payroll	6,022
Total Current Liabilities	<u>295,539</u>

## Long-term Liabilities:

Compensated Absences Payable	14,277
Net Pension Plan Liability	275,991
Net OPEB Plan Liability	28,350
Total Long-term Liabilities	<u>318,618</u>
Total Liabilities	<u>614,157</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - related to pension plan	8,735
Deferred Inflows - related to OPEB plan	968
Total Deferred Outflows fo Resources	<u>9,703</u>

**NET POSITION**

Restricted	<u>1,572,047</u>
Total Net Position	<u><u>\$ 1,572,047</u></u>

See Accompanying Notes to Financial Statements.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2019**

**FIRST 5 PROGRAM EXPENSES**

Salaries and Employee Benefits	\$ 142,435
Communication	6,777
Insurance	5,317
Maintenance	2,700
Memberships	5,048
Printing and Reproduction	1,099
Office Expenses	2,002
Postage and Delivery	165
Subscriptions	156
Professional Services	16,333
Legal Notices	706
County Administration Fees and Allocated Costs	49,363
Equipment Lease	767
Contract Services	8,638
Occupancy	25,704
Small Office Equipment and Replacement	1,365
Special Department Expenses	33,441
Training and Travel	12,947
Utilities	4,949
Sub-Recipients	768,677
Total Program Expenses	1,088,589

**PROGRAM REVENUES**

Operating Grants and Contributions:	
Prop 10 Apportionment	760,220
Prop 56 Backfill	82,942
Surplus Money Investment Funds	2,308
Other Revenue	56,317
Total Program Revenues	901,787
Net Program Revenues (Expense)	(186,802)

**GENERAL REVENUES**

Interest Income	33,131
Unrealized Gain(Loss)	(1,184)
Total General Revenues	31,947
<b>Change in Net Position</b>	(154,855)
Net Position - Beginning of Year	2,052,394
Prior Period Adjustment for Change in Accounting & GASB 31	(325,492)
Net Position - End of Year	\$ 1,572,047

See Accompanying Notes to Financial Statements.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
BALANCE SHEET  
JUNE 30, 2019**

**ASSETS**

Cash in County Treasury	\$ 1,938,852
State Funds Receivable	186,409
Interest and Other Receivables	10,307
	\$ 2,135,568
Total Assets	\$ 2,135,568

**LIABILITIES**

Grants, Contracts and Accounts Payable	\$ 289,517
Accrued Payroll	6,022
	295,539
Total Liabilities	295,539

**FUND BALANCES**

## Fund Balances:

Committed	676,867
Assigned	511,869
Unassigned	651,293
	1,840,029
Total Fund Balances	1,840,029
Total Liabilities and Fund Balances	\$ 2,135,568

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

Fund Balance - Total Governmental Fund (from above)	\$ 1,840,029
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Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources represents a consumption of net position that applies to future period(s) and, therefore, will not be recognized as an outflow of resources (expense) in the governmental fund.

Deferred outflows of resources related to pension	58,952
Deferred outflows of resources related to OPEB	1,387

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

Net Pension Liability	(275,991)
Net OPEB Liability	(28,350)
Compensated Absences	(14,277)

Deferred inflows of resources represents an acquisition of net position that applies to

Deferred inflows of resources related to pension	(8,735)
Deferred inflows of resources related to OPEB	(968)
	(9,703)

Net Position of Governmental Activities	\$ 1,572,047
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See Accompanying Notes to Financial Statements.



**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1: Nature of the Entity**

**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, 2019**

**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.

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.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

**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, 2019, the Commission was due \$184,409 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 \$14,277.

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019, 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, 2019**

**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, 2019, was \$1,184, and was adjusted by the County of Sutter for GASB 31 compliance. The prior year GASB 31 adjustment made by the county was corrected with a prior period adjustment as noted below. The difference between the corrected prior year GASB 31 adjustment and the current year GASB 31 adjust was \$1,184 and is reported in as unrealized gains and losses 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, 2019 as follows:

	<u>Carrying Cost</u>	<u>Adjusted FMV</u>	<u>Difference</u>
Cash	\$1,940,032	\$1,938,848	(\$1,184)

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, 2019, was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</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, 2019**

**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 at which time it was extended for another 5 year term. The following is the minimum lease requirements for the next five years (including available extensions):

<u>Year ending June 30,</u>	<u>Amounts</u>
2020	\$26,475
2021	\$27,269
2022	\$28,087
2023	\$28,930
2024	\$14,679

**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, 2019.

Salaries	\$ 177,680
Retirement Benefits - CalPERS	41,451
Health Benefits	17,764
Taxes and Workers' Compensation and other benefits	<u>17,651</u>
Governmental Fund Total	<u>\$ 254,546</u>
Change in Pension Plan Activities	19,010
Change in OPEB Plan Activities	3,320
Change in Accrued Compensated Absences	<u>(2,379)</u>
Government-Wide Total	<u>\$ 274,497</u>

As employees of the County of Sutter, the Commission employees participate in the retirement and other post-employment benefits of the County of Sutter as noted below.

**Note 7: Defined Benefit Pension Plan**

*Plan Description.*

The Commission employees participate in the County of Sutter's Miscellaneous defined benefit pension plan administered by the State of California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for California cities and governmental jurisdictions, which participate in this retirement plan. Benefit provisions and other requirements are established by State statute and County resolution.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**DRAFT**

**Note 7: Defined Benefit Pension Plan (Continued)**

The County's defined benefit pension plan provides retirement, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The County selects optional benefit provisions by contract with CalPERS and adopts those benefits through County ordinance. CalPERS issues a separate comprehensive annual financial report; however separate reports for the County's plans are not available. Copies of CalPERS annual financial reports which include required supplementary information (RSI) for each plan may be obtained from CalPERS Executive Offices, Lincoln Plaza North, 400 Q Street, Sacramento CA 95811.

*Benefits Provided.*

All pension plans provide benefits, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing five years of retirement service credit forfeit the right to received retirement benefits unless they establish reciprocity with another public agency within a prescribed time period. Non-vested employees who terminate services are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate services after earning five years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected and actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

*Contributions.*

Rates for the County's contributions are set by CalPERS based upon annual experience of County members and on periodic actuarial valuations. The contribution rate for the Commission is established by the County of Sutter. The employer contribution rate for the fiscal year ended June 30, 2019, was 10.135% plus 16.363% for the unfunded liability contribution. For the fiscal year ended June 30, 2019, the Commission was required to contribute \$41,451 to the County of Sutter for the plan. The Commission made all required contributions.

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

At June 30, 2019, the Commission reported a liability of \$275,991 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Commission's proportion of the County's net pension liability was based on the Commission's annual employee payroll relative to the total employee payroll of the County as a whole. At June 30, 2019, the Commission's proportionate share was 0.25% and at June 30, 2018 the Commission's proportionate share was 0.27%, a decrease of .02%.



**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 7: Defined Benefit Pension Plan (Continued)**

For the year ended June 30, 2019, the Commission recognized pension credit of \$113,052. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,091	\$ -
Change in assumptions	16,173	(4,909)
Difference between expected and actual experience	237	(3,826)
Employer contributions paid by the Commission Subsequent to the measurement date	41,451	-
Total	\$ 58,952	\$ (8,735)

The \$41,451 reported as deferred outflows of resources related to pensions resulting from the Commission’s contributions to the County’s plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission’s proportion of the County’s pension plan will be recognized in pension expense as follows:

Year Ended June 30,	
2020	\$18,281
2021	(573)
2022	(6,923)
2023	(2,019)
Total	\$ 8,766

*Actuarial assumptions.*

The Commission’s proportion of the County’s total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method method	Entry age normal cost

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 7: Defined Benefit Pension Plan (Continued)**

Actuarial Assumptions:

Discount Rate	7.15%
Investment rate of return	7.15%
Inflation	2.75%
Projected Salary increases and Service	Varies by Entry Age
Payroll Growth	3.00%
Post Retirement increase	2.00%

The mortality table used was developed based on CalPERS's specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report available on CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

*Changes of Assumptions.*

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

*Discount rate.*

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 7: Defined Benefit Pension Plan (Continued)**

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class:

*Long-Term Expected Real Rate of Return:*

Asset Class(A)	Target Allocation	Real Return, Years 1 -10 (B)	Real Return Years11+ (C)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

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

(B) An expected inflation of 2.00% used for this period

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

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

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

	1% Decrease (6.15%)	Current Disc. Rate (7.15%)	1% Increase (8.15%)
Commission's proportionate share of the County's net pension liability	\$ 404,957	\$ 275,991	\$ 168,854

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 7: Defined Benefit Pension Plan (Continued)**

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

Detailed information about the County's collective net pension liability and plan fiduciary net position is available in the County's separately issued Comprehensive Annual Financial Report (CAFR). The County of Sutter's financial statements may be obtained by contacting the County of Sutter, Department of Financial Services, 61160 Civic Center Blvd., Suite B, Yuba City, CA 95993 or visiting the County's website at [www.SutterCounty.org](http://www.SutterCounty.org).

Detailed information about the CalPERS fiduciary net position is available in a separately issued CalPERS comprehensive annual financial report. Copies of the CalPERS annual report may be obtained from CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811, or visiting [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Note 8: Retiree Medical Plan – Other Post-employment Benefits**

*Plan Description.*

The Commission is a participant in the County of Sutter's Retiree Medical Plan (the Plan). The County contributes to the miscellaneous plan of the County of Sutter and the safety plan of the County of Sutter (plans) which are part of the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of California. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office – 400 P Street, Sacramento, CA 95814. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

*Benefits Provided.*

The County provides medical, dental and vision insurance to retirees under an approved County ordinance. Employees that meet the following requirements are eligible for coverage under the County of Sutter Retiree Healthcare Plan: 1) the employee retires directly from the County under CalPERS; or 2) participates in the Tri County Schools Insurance Group (TCSIG) plan. The County has elected to contribute a percentage toward the cost of premiums for the retiree and spouse based on years of service.

The County contributes a monthly subsidy for retirees who participate in the medical plan offered by the County. The amounts are determined based on date of retirement.

- Employees who retire before 12/24/2005 receive a monthly amount of \$16, regardless of age.
- Employees who retire on or after 12/24/2005 receive a monthly amount of:

\* \$55 as of 1/1/2018 (before 1/1/2018, this amount was \$16 per month), if they are 65 or older, and

\* Prior to age 65, an amount based on years of County service, as shown in the chart below.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 8: Retiree Medical Plan – Other Post-employment Benefits (Continued)**

<u>Years of Service</u>	<u>Monthly Subsidy</u>
5-9	\$16
10-14	56
15-19	96
20-24	136
25-29	176
30+	216

- Subsidies end with the death of the retiree, though a surviving spouse may continue coverage by paying the full monthly premiums. In addition, if the retiree reaches age 65 prior to his or her covered spouse, the spouse may continue coverage until age 65 by paying the full monthly premium, even if the retiree discontinues coverage on the County’s plan.

*Employees Covered by Benefit Terms.*

At the OPEB liability measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>2</u>
Total	<u>2</u>

*Net OPEB Liability.*

At June 30, 2019 the Commission’s proportionate share of the County’s net OPEB liability was \$28,350. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018
Funding Method	Entry Age Normal Cost, level percent of pay

*Actuarial Methods and Assumptions Used to Determine Total OPEB Liability.*

The total OPEB liability measured as of June 30, 2018 was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified:

General Inflation Rate:	2.75% per year
Salary Increase Rate:	3.25 % per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between services.
Assumed Wage Inflation:	3.0% per year; used to determine amortization payments if developed on a level percent of pay basis.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 8: Retiree Medical Plan – Other Post-employment Benefits (Continued)**

Discount Rates:	3.13% on June 30, 2017 and 2.98% on June 30, 2018. Changes based on the published change in return for the applicable municipal bond index.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year
Medical Trends:	Non-Medicare – 7.5% for 2020, decreasing to an ultimate rate of 4.0% for 2076 years Medicare – 6.5% for 2020, decreasing to an ultimate rate of 4.0% for 2076 and later years.
Mortality Improvement:	MacLeod Watts Scale 2017 applied from 2008.
Future Retiree Plan Election:	Depending on years of service with the County from less than 10 years-25% elect coverage to more than 30 years-100% elect coverage. It is assumed that 20% of future retirees are to continue coverage after age 65, regardless of their years of County service.

The actuarial “demographic” assumptions (i.e. rates of retirement, death, disability or other termination of employment) used in the actuarial report are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. The representative mortality rates were published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008.

*Changes of Assumptions*

The discount rate changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018, based on the published change in return for the applicable municipal bond index.

*Sensitivity of the Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rate*

The following presents the net OPEB liability as of the measurement date, calculated using the discount rate of 2.98 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.98 percent) or 1 percentage-point higher (3.98 percent) than the current rate:

	1.00% Decrease (1.98%)	Current Discount Rate (2.98%)	1.00% Increase (3.98%)
Discount Rate			
Commission's proportionate share of the County's net OPEB liability	\$ 31,569	\$ 28,350	\$ 25,653

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 8: Retiree Medical Plan – Other Post-employment Benefits (Continued)**

Healthcare cost trend rate was assumed to start at 8.0% effective January 1, 2019 and grade down to 5% for years 2025 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown below.

Healthcare Cost Trend Rate	Trend -1%	Current Trend Rate	Trend +1%
Commission's proportionate share of the County's net OPEB liability	\$ 31,569	\$ 28,350	\$ 25,653

*Changes in the OPEB plan liability and net position.*

Detailed information about the County's collective net OPEB liability and plan fiduciary net position is available in the County's separately issued Comprehensive Annual Financial Report (CAFR). The County of Sutter's financial statements may be obtained by contacting the County of Sutter, Department of Financial Services, 61160 Civic Center Blvd., Suite B, Yuba City, CA 95993 or visiting the County's website at [www.SutterCounty.org](http://www.SutterCounty.org).

*Amortization of Deferred Outflows and Deferred Inflows of Resources*

The net difference between projected and actual earnings on OPEB plan investments is amortized over a 5-year period on a straight-line basis. The net difference between expected and actual experience and changes in assumptions and changes in proportions are amortized over a 7.5-year period on a straight line basis.

At June 30, 2019, the Commission reported a Net OPEB liability of \$28,350 for its proportionate share of the County's Net OPEB liability. The Net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Commission's proportion of the County's net OPEB liability was based on the number of Commission's employees participating in the County's the Plan relative to the total employees of the County as a whole. At June 30, 2019, the Commission's proportionate share was 0.19% and at June 30, 2018 the Commission's proportionate share was 0.18%, an increase of .01%.

For the year ended June 30, 2019, the Commission recognized an OPEB expense of \$3,320. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Net difference between expected and actual experience	-	-
Change of assumptions	385	(968)
Employer contributions paid by the Commission		
Subsequent to the measurement date	1002	-
Total	\$ 1,387	\$ (968)

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 8: Retiree Medical Plan – Other Post-employment Benefits (Continued)**

The \$1,002 reported as deferred outflows of resources related to OPEBs resulting from the Commission's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission's proportion of the County's OPEB plan will be recognized in pension expense (credit) as follows:

Year Ended June 30,	
2020	\$ (97)
2021	(97)
2022	(97)
2023	(97)
2024	(97)
2025	(98)
Total	<u>\$ (583)</u>

**Note 9: Related Party Transactions**

During the fiscal year ended June 30, 2019, the Commission paid the County of Sutter, including the Department of Health and Human Services, a related party, \$49,362, for accounting, allocated overhead, allocated administrative costs and risk management services.

**Notes 10: Program Evaluation**

The Commission spent \$9,583 on program evaluation during the fiscal year ended June 30, 2019.

**Notes 11: 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 12: 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.



**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Note 13: Prior Period Adjustments**

During the audit of the County financial statements and implementation of the GASB Statement No. 75, it was determined that the Commission should be reporting the OPEB and Pension liabilities and related deferred inflows and outflows of resources for the fiscal year ended June 30, 2018. The County made a retroactive adjustment to the financial statements of the Commission after the Commission had issued the reports. Starting with the fiscal year 2018-2019 the Commission will be reporting the OPEB and Pension activities in its financial statements.

As noted above in Notes 7 and 8, employers participating in the pension and OPEB plans are required to report the pension and OPEB information in their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions –An Amendment of GASB statement No. 27* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 68 and 75 were retroactively applied to prior fiscal years and therefore due to this change in accounting principles, the net position was required to be adjusted for the net pension liability and net OPEB liability and related deferred inflows and outflows of resources. The change to the beginning net position was a reduction of net position of \$355,066 for the pension accounts and \$28,350 for the OPEB accounts.

Further, the County found that the GASB 31 adjustment for the cash fair market value required a correction and made an adjustment to the Commission's 2017-2018 financial statements for the difference of \$37,944. This adjustment increased the beginning net position and fund balance for the fiscal year 2018-2019.

**Note 14: Subsequent Events**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original and Final Budget	Actual Amount	Variance With Final Budget
<b><u>Resources (Inflows)</u></b>			
Operating Grants and contributions:			
State Funding - Prop 10 & 56	\$ 872,393	\$ 843,162	\$ (29,231)
Surplus Money Investment Funds	425	2,308	1,883
Other Revenues	55,887	56,317	430
Unrealized Gain(Loss) GASB 31	-	(1,184)	(1,184)
Interest Income	33,646	33,131	(515)
Total Revenues	<u>962,351</u>	<u>933,734</u>	<u>(28,617)</u>
<b><u>Charges to Appropriations (Outflows)</u></b>			
Administrative Costs			
General Administration	199,404	226,608	(27,204)
Program Costs			
Improved Family Functioning	186,978	206,155	19,177
Improved Child Development	436,589	408,133	(28,456)
Improved Health	177,906	161,572	(16,334)
Improved Systems of Care	193,880	188,649	(5,231)
Program Evaluation	10,513	9,583	(930)
Total Expenses	<u>1,205,270</u>	<u>1,200,700</u>	<u>(4,570)</u>
Net Change in Fund Balance	(242,919)	(266,966)	24,047
Fund Balance - Beginning of Year	2,069,051	2,069,051	
Fund Balance - End of Year	<u>\$ 1,826,132</u>	<u>\$ 1,802,085</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, 2019**

**BUDGET AND BUDGETARY ACCOUNTING**

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

After the budget is approved, the 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, and other program expenditures.

**OTHER SUPPLEMENTARY INFORMATION**

**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, 2019**

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

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION  
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

**2008-001 to 2018-001 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, 2019 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 30, 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 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 2019-001 that we consider to be significant deficiency.

**2019-001 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 30, 2019

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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, 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.

### 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, 2019.

Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
October 30, 2019

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October 30, 2019

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

Dear Ladies and Gentlemen,

The audit went relatively smoothly for the activities within the Commission's control. The complications in the audit this year were related to the Commission and County activities.

This year we did have a significant change in how the County and the Commission understood the employees' relationship to the County. The County determined that the Commission should be reporting the employees' participation in the County pension and OPEB plans separately from the County activities. As this was a change in the accounting practices of the Commission we added a prior period adjustment to reflect the effect to the prior fiscal years as noted in the footnotes. This change also increased the footnote disclosures and required supplementary information significantly and increased the time needed to complete the reports. In future years the Commission will need to wait for the County to complete their analysis of the pension and OPEB plans and allocate the Commission's proportionate share out of the County's figures prior to completing the final reports. The final figures from the County were received in mid-October this year for the 2018-2019 fiscal year.

In planning and performing our audit of the financial statements of Sutter County Children and Families Commission for the year ended June 30, 2019, 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 30, 2019. This letter does not affect our report dated October 30, 2019, 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