



Financial Statements  
with Independent Auditor's Report

For the Year Ended June 30, 2019

First 5 San Joaquin  
Children and Families Commission  
(A Component Unit of the County of San  
Joaquin, California)

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

**COMMISSION MEMBERSHIP  
JUNE 30, 2019**

| <u>Name</u>           | <u>Representing</u>                      | <u>Date of Appointment</u> | <u>Current Term Expires</u> |
|-----------------------|--|----------------------------|-----------------------------|
| Miguel Villapudua     | Board of Supervisors                     | 1/1/19                     | 12/31/19                    |
| Kay G. Ruhstaller     | Community Member                         | 3/2017                     | 3/2021                      |
| Susan de Polo         | Community Member                         | 5/2019                     | 5/2023                      |
| Michael Miller        | County Human Services Agency<br>Director | 1/2015                     | Permanent                   |
| Tammy Evans           | County Public Health Director            | 1/2015                     | 3/2019                      |
| Dr. Gary F. Dei Rossi | Community Member                         | 3/2015                     | 3/2019                      |
| Carl Toliver          | Community Member                         | 4/2019                     | 4/2023                      |
| Maggie S. Park M.D.   | Community Member                         | 3/2017                     | 3/2021                      |
| Tony Anderson         | Community Member                         | 2/2019                     | 2/2023                      |
| Mario Supnet          | Community Member                         | 4/2019                     | 5/2019                      |



Financial Section



## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
First 5 San Joaquin Children and Families Commission  
Stockton, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the First 5 San Joaquin Children and Families Commission (Commission), a component unit of the County of San Joaquin, California (County), 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 the general fund of the Commission, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Commission's proportionate share of the County's net pension liability, the schedule the Commission's pension contributions, schedule of the Commission's proportionate share of the County's OPEB liability, as listed in the table of contents, and 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 financials statements. The Commission Membership and Schedule of First 5 California funding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of First 5 California funding 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 Schedule of First 5 California funding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Commission Membership has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control over financial reporting and compliance.

  
Sacramento, California  
October 25, 2019

# SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION

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

On November 3, 1998, California voters approved Proposition 10 – the California Children and Families Act of 1998 (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 San Joaquin County (County) Board of Supervisors created the San Joaquin County Children and Families Commission (Commission) in 1999 under the provisions of the Act. The Commission consists of nine members appointed by the County Board of Supervisors.

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. All amounts unless otherwise indicated, are expressed in thousands of dollars.

### ***Financial Highlights***

The Commission's net position in the government-wide financial statements decreased overall by \$91 thousand from fiscal year 2017-2018 due to an increase in current and other assets of \$559 thousand (cash and investments and receivables from the state), an increase in deferred outflows related to pensions and other postemployment benefits (OPEB) of \$379 thousand, an increase in total liabilities of \$929 thousand (accounts payable and pension liabilities), and an increase in deferred inflows of resources related to pensions of \$100 thousand.

The Commission's overall revenues increased by \$1,990 thousand due to an increase in activity with the grant from the California Department of Health Care Services for the Dental Transformation Initiative, known locally as the San Joaquin Treatment & Education for Everyone on Teeth & Health (SJ TEETH), higher Proposition 10 revenues from the State, new revenues from the California Department of Social Services Home Visitation Program (FamilyWORKs), a net increase in revenues received from local CalWORKs programs and general revenues, and an increase in revenue from Improve and Maximize Programs so All Children Thrive (IMPACT) from First 5 California. Direct expenses increased by \$219 thousand due to the addition of the FamilyWORKs program and increased spending for SJ TEETH, offset by reductions to the preschool, Home Visitation, and the termination of the CalWORKs Helping to Enhance Parents' Potential program. General and administration expenses increased by \$155 thousand due to the addition of two staff to handle new program funding - offset by an increase in the amount of salaries and benefits recovered from SJ TEETH and FamilyWORKs.

The Commission's governmental fund shows an increase in fund balance of \$102 thousand from fiscal year 2017-2018 due to the increase in revenues of \$1,916 thousand, offset by an increase in total expenditures of \$276 thousand attributed to the implementation of FamilyWORKs and increased expenditures in SJ TEETH, offset by decreased spending by contractors in existing programs. The governmental fund reports do not recognize expenses related to pensions and other post-employment benefits.

### ***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) fund financial statements, and 3) notes to the



# SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION

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

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 information on all of the Commission's assets plus deferred outflows and liabilities plus deferred inflows, with the difference 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 and net pension liability).

The government-wide financial statements can be found on pages 12-13 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. All of the Commission's activities are accounted for in the General Fund. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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

The fund financial statements can be found on pages 14-17 of this report.

The Commission adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the fund to demonstrate compliance with the budget on pages 34-35 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-33 of this report.

***Required Supplementary Information (RSI).*** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's finances. Required supplementary information can be found on pages 34-39 of this report.

# SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION

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

**Supplementary Information (SI).** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the funding from the California First 5 Commission.

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

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows exceed liabilities and deferred inflows by \$977 thousand at the close of the fiscal year. The most significant portion of the Commission's net position is its cash and investments balance of \$3,406 thousand. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net position also resides in the Commission's receivables due from other agencies and for Proposition 10 taxes in the amount of \$2,323 thousand. These receivables represent taxes that were remitted by the State but, had not been received by the Commission as of June 30, 2019; IMPACT and SJ TEETH grant receivables for the fourth quarter of the fiscal year; fourth quarter interest income receivable; and receivables from other agencies. The Commission also reports accounts payable of \$1,733 thousand representing payments due on professional services contracts that had not been expended at year-end; \$29 thousand in accrued payroll at year-end; and \$289 thousand in advances from grantors for amounts received on grants that had not yet been expended at year-end.

Long-term liabilities include \$3,040 thousand attributed to net pension liability. Long-term liabilities also include \$202 thousand of liability associated with other post-employment benefits as explained in Note 5, and \$105 thousand in compensated absences due to employees at year-end as explained in Note 1, G.

The Commission's net position decreased overall by \$91 thousand during the 2018-2019 fiscal year. This decrease in net position is explained in the governmental fund analysis below and is primarily a result of a increase in cash and receivables, an increase in accounts payable, offset by an increase in pension liability as compared to the previous year.

#### Statement of Net Position Comparison (in thousands)

|                                       | Fiscal Year<br>2018-19 | Fiscal Year<br>2017-18 | Difference |
|---------------------------------------|------------------------|------------------------|------------|
| Current and Other Assets              | \$5,729                | \$5,170                | \$ 559     |
| Total Assets                          | 5,729                  | 5,170                  | 559        |
| Deferred Outflows of Resources        |                        |                        |            |
| Deferred Outflows Related to Pensions | 787                    | 409                    | 378        |
| Deferred Outflows Related to OPEB     | 14                     | 13                     | 1          |
| Total Deferred Outflows of Resources  | 801                    | 422                    | 379        |
| Current and Other Liabilities         | 2,051                  | 1,594                  | 457        |
| Long-Term Liabilities                 | 3,347                  | 2,875                  | 472        |
| Total Liabilities                     | 5,398                  | 4,469                  | 929        |

**SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION**

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

Statement of Net Position Comparison (in thousands) (Continued)

|                                      |               |                 |                |
|--------------------------------------|---------------|-----------------|----------------|
| Deferred Inflows of Resources        |               |                 |                |
| Deferred Inflows Related to Pensions | 101           | 47              | 54             |
| Deferred Inflows Related to OPEB     | <u>54</u>     | <u>8</u>        | <u>46</u>      |
| Total Deferred Inflows of Resources  | <u>155</u>    | <u>55</u>       | <u>100</u>     |
| Net Position:                        |               |                 |                |
| Unrestricted                         | 977           | 1,068           | (91)           |
| Total Net Position                   | <u>\$ 977</u> | <u>\$ 1,068</u> | <u>\$ (91)</u> |

Statement of Activities Comparison (in thousands)

|   | <u>Fiscal Year</u><br><u>2018-19</u> | <u>Fiscal Year</u><br><u>2017-18</u> | <u>Difference</u> |
|---|--------------------------------------|--------------------------------------|-------------------|
| Revenues:   |                                      |                                      |                   |
| State Proposition 10  | \$ 6,348                             | \$ 5,813                             | \$ 535            |
| Improve and Maximize Programs so All Children Thrive (IMPACT)   | 639                                  | 562                                  | 77                |
| San Joaquin Treatment and Education for Everyone on Teeth and Health (SJ TEETH) CA Dept of Social Services Home Visitation Initiative - FamilyWORKs | 1,264                                | 667                                  | 597               |
| CalWORKs Funded Programs  | 771                                  | -                                    | 771               |
| General Revenues  | 719                                  | 791                                  | (72)              |
|   | 265                                  | 183                                  | 82                |
| Total Revenues  | <u>10,006</u>                        | <u>8,016</u>                         | <u>1,990</u>      |
| Expenses:   |                                      |                                      |                   |
| Direct Program Expenses   | 8,856                                | 8,637                                | 219               |
| General and Administration Expenses   | <u>1,241</u>                         | <u>1,086</u>                         | <u>155</u>        |
| Total Expenses  | <u>10,097</u>                        | <u>9,723</u>                         | <u>374</u>        |
| Change in Net Position  | (91)                                 | (1,707)                              | 1,616             |
| Net Position, Beginning of Year   | <u>1,068</u>                         | <u>2,775</u>                         | <u>(1,707)</u>    |
| Net Position, End of Year   | <u>\$ 977</u>                        | <u>\$ 1,068</u>                      | <u>\$ (91)</u>    |

**SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION**

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

*Financial Analysis of the Commission's Governmental Fund*

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

For the fiscal year ended June 30, 2019, the Commission's Fund Balance of \$3,679 thousand is categorized as Committed in the amount of \$5,635 thousand and Unassigned in the amount of \$(1,956) thousand.

For the year ended June 30, 2019, the Commission reported an ending net position of \$977 thousand, a decrease of \$91 thousand from the prior year.

Statement of Revenues, Expenditures and Changes in Fund Balance  
Comparison Statement (in thousands)

|   | Fiscal Year<br>2018-19 | Fiscal Year<br>2017-18 | Difference    |
|---|------------------------|------------------------|---------------|
| Revenues:   |                        |                        |               |
| State Proposition 10  | \$ 6,348               | \$ 5,813               | \$ 535        |
| Improve and Maximize Programs so All Children Thrive (IMPACT)                   | 639                    | 607                    | 32            |
| San Joaquin Treatment and Education for Everyone on Teeth and Health (SJ TEETH) | 1,264                  | 667                    | 597           |
| CA Dept of Social Services Home Visitation Initiative - FamilyWORKs             | 771                    | -                      | 771           |
| CalWORKs Funded Programs  | 719                    | 880                    | (161)         |
| General Revenues  | 265                    | 123                    | 142           |
| <b>Total Revenues</b>   | <b>10,006</b>          | <b>8,090</b>           | <b>1,916</b>  |
| Expenditures:   |                        |                        |               |
| Strategic Plan Programs   | 8,856                  | 8,637                  | 219           |
| General & Administration  | 1,048                  | 991                    | 57            |
| <b>Total Expenses</b>   | <b>9,904</b>           | <b>9,628</b>           | <b>276</b>    |
| Change in Fund Balance  | 102                    | (1,538)                | 1,640         |
| Fund Balance, Beginning of Year   | 3,577                  | 5,115                  | (1,538)       |
| <b>Fund Balance, End of Year</b>  | <b>\$ 3,679</b>        | <b>\$ 3,577</b>        | <b>\$ 102</b> |

Total revenue consisting of Proposition 10 funds, IMPACT, SJ TEETH, CalWORKs Help Me Grow, CalWORKs Helping to Enhance Parents' Potential (CalHEPP), and CalWORKs Preschool Services to CalWORKs Families, FamilyWORKs, and interest income increased by \$1,916 thousand or 23 percent, from the prior fiscal year.

Annual revenues from the State of California for Prop 10 increased \$535 thousand over the prior year due to backfill received from the implementation of Proposition 56 on April 1, 2017 which added a tax of \$2.00 per package of cigarettes. Revenues also increased from funding from First 5 California for IMPACT, increased funding from the California Department of Health Care

## SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION

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

Services for SJ TEETH, new funding from the California Department of Social Services Home Visitation Initiative for FamilyWORKs, offset by decreased funding from the San Joaquin County Human Services Agency for the CalWORKs Help Me Grow, CalHEPP, and CalWORKs Preschool Services to CalWORKs Families. General revenues increased by \$142 thousand due to increased interest earnings and funding from Public Health Services for a Proposition 56 funded oral health project and from small grants received for specific projects.

Total expenditures increased by \$276 thousand, primarily due to increased expenditures by contractors on Strategic Plan Programs of \$219 thousand and increased General and Administration costs of \$57 thousand in payroll related expenses. The largest variances consist of decreased expenditures in Preschool of \$549 thousand, decreased expenditures in Home Visitation of \$349 thousand, increased expenditures in the SJ TEETH grant of \$597 thousand, new expenditures for the FamilyWORKs program of \$771 thousand, the discontinuation of the Community Resource Center Initiative for a decrease of \$146 thousand, the early termination of the CalHEPP program for a decrease of \$140 thousand, and a combined increase of \$92 thousand related to the remaining programs.

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

Total revenues were lower than budgeted by \$537 thousand or four percent, and total expenditures were less than budgeted by \$689 thousand or six percent. The revenue variance was due to a higher than budgeted Proposition 10 allocation from the State due to backfill from Proposition 56 being received, lower than budgeted funding from CalWORKs programs, lower than budgeted revenue from the California Department of Health Care Services (CDHCS) for SJ TEETH due to lower spending on the grant than predicted, and lower than budgeted expenditures for the IMPACT program. Total expenditures include amounts encumbered by open purchase orders at June 30, 2019 and were less than the budget due to less spending than budgeted on Community Programs, IMPACT, SJ TEETH, and CalWORKs Help Me Grow. Once the encumbered purchase orders are canceled in fiscal year 2019 – 2020, the encumbered funds will be released for other projects.

The Proposition 10 revenue in the original budget was revised downward due to projections received during the year from First 5 California and revenues were increased for the new revenue from the California Department of Social Services Home Visitation Program (FamilyWORKs). The original expenditure budget was revised upward due to budget revisions with First 5 California for IMPACT and the California Department of Health Care Services for SJ TEETH. The CalWORKs Helping to Enhance Parents' Potential program was terminated at the end of January 2019 and replaced by the new FamilyWORKs funding.

#### ***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 will help to nurture children 0-5 years of age so that their young minds and bodies will develop appropriately.

## SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION

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

The 2019-2020 revenues are expected to increase from 2018-2019 by approximately \$1,510 thousand due to increased funding from the California Department of Health Care Services for continued implementation of SJ TEETH, a full year of revenue, including an increased allocation, from the California Department of Social Services for FamilyWORKs, continued support from CalWORKs for Family Stabilization for Help Me Grow, continued support from local CalWORKs for Substance Abuse and Mental Health Education including a focused Home Visitation program, and First 5 preschool provided to the children of CalWORKs families. Expenditures are planned to increase about \$2,685 thousand due to increased spending on SJ TEETH and FamilyWORKs, offset by decreased spending on direct program expenses in line with the strategic plan and by increased general and administrative expenditures, after the application of coordination cost recovery due to SJ TEETH, IMPACT and FamilyWORKs. IMPACT funding will continue to reimburse 100 percent of the cost of two Contracts Analyst positions, with SJ TEETH partially offsetting the cost of the Executive, Director, Accountant, Office Technician Coordinator and Contracts Analysts, and FamilyWORKs partially offsetting the cost of a Contracts Analyst and an Accountant.

The budgeted 2019-2020 revenues and expenditures are anticipated to increase by \$1,343 thousand beginning in November 2019 as a result of funding approved by the California Department of Social Services for the CalWORKs Housing Support Program.

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

- Commitment to the 2018 – 2021 Strategic Plan Extension approved by the Commission on December 6, 2018.
- A return to a more normal pattern of decreased Proposition 10 revenues due to the expected backfill from Proposition 56 which went into effect April 1, 2017, adding a \$2.00 tax to a package of cigarettes. Backfill is received in arrears to compensate Proposition 10 funding for the lost revenue.
- Funding received from the California Department of Health Care Services for four years for the SJ TEETH program. Services are for enhancing and expanding oral health services for children and youth. An additional \$2,000 thousand in funding for this project was received in fiscal year 2018-2019.
- Funding received from First 5 California for the IMPACT program continues, with future IMPACT funding to be determined.
- Funding of the FamilyWORKs program through the end of June, 2020 from the California Department of Social Services.
- Supplemental funding from local CalWORKs for the Help Me Grow program, for the children of CalWORKs families that participate in a First 5 Preschool Program, and for Substance Abuse and Mental Health programs.
- An application was submitted to the California Department of Social Services and funding was approved for \$1,343 thousand for a new CalWORKs Housing Support Program. The funding is anticipated to be expended from November 1, 2019 through June 30, 2020.
- Carry-over of funding for a grant writer to investigate new channels of funding for the Commission.

## **SAN JOAQUIN COUNTY CHILDREN AND FAMILIES COMMISSION**

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

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 age population, not as just another funding source for programs. The Commission will continue to focus on evaluating all funded programs to determine what is working or has promise to impact the health and well being of children. This information will be used to help evaluate the overall impact of Proposition 10 in San Joaquin County.

#### **Requests for Information**

This financial report is designed to provide a general overview of the San Joaquin County Children and Families Commission 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 San Joaquin County Children and Families Commission/Human Services Agency, P.O. Box 201056, Stockton, California, 95201.



## Basic Financial Statements



**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Statement of Net Position – Governmental Activities  
June 30, 2019

ASSETS

|                         |                  |
|-------------------------|------------------|
| Cash and Investments    | \$ 3,405,877     |
| Due from Other Agencies | 2,266,578        |
| Interest Receivable     | 15,088           |
| Other Receivables       | 41,395           |
| Total Assets            | <u>5,728,938</u> |

DEFERRED OUTFLOWS OF RESOURCES

|                                       |                |
|---------------------------------------|----------------|
| Deferred outflows related to pensions | 787,272        |
| Deferred outflows related to OPEB     | 13,542         |
| Total Deferred Outflows of Resources  | <u>800,814</u> |

LIABILITIES

|  |                  |
|--|------------------|
| Accounts Payable                                   | 1,733,301        |
| Accrued Payroll                                    | 28,613           |
| Advances from Grantors                             | 288,822          |
| Long-Term Liabilities:                             |                  |
| Compensated Absences Payable - Due Within One Year | 85,658           |
| Compensated Absences Payable - Due After One Year  | 19,218           |
| Net Pension Liability                              | 3,040,262        |
| Total OPEB Liability                               | 201,645          |
| Total Liabilities                                  | <u>5,397,519</u> |

DEFERRED INFLOWS OF RESOURCES

|                                      |                |
|--------------------------------------|----------------|
| Deferred inflows related to pensions | 100,951        |
| Deferred inflows related to OPEB     | 53,765         |
| Total Deferred Inflows of Resources  | <u>154,716</u> |

NET POSITION

|              |                   |
|--------------|-------------------|
| Unrestricted | <u>\$ 977,517</u> |
|--------------|-------------------|

The accompanying notes are an integral part of these financial statements.

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

## Statement of Activities – Governmental Activities For the Year Ended June 30, 2019

### EXPENSES

#### Child Development

##### Strategic Plan Programs:

|   |              |
|---|--------------|
| Access to Preschool Initiative  | \$ 2,945,618 |
| Home Visitation Initiative  | 1,665,289    |
| CA Dept of Social Services Home Visitation Initiative - FamilyWORKs             | 771,477      |
| Breastfeeding Initiative  | 58,266       |
| Improve and Maximize Programs so All Children Thrive (IMPACT)                   | 638,589      |
| Kindergarten Bridge   | 60,831       |
| San Joaquin Treatment and Education for Everyone on Teeth and Health (SJ TEETH) | 1,263,913    |
| Public Health Services Proposition 56 Oral Health Services                      | 56,849       |
| Help Me Grow/ San Joaquin County 5Cs Project                                    | 251,647      |
| Helping to Enhance Parents' Potential   | 275,112      |
| Community Programs/Commission Funded  | 381,996      |
| Special Projects / Trainings / Evaluation                                       | 475,233      |
| Sponsorships  | 11,500       |
| Total Direct Program Expenses   | 8,856,320    |

##### General Government:

|                                  |            |
|----------------------------------|------------|
| Salaries and Employee Benefits   | 1,118,428  |
| Services and Supplies            | 122,139    |
| Total General and Administration | 1,240,567  |
| Total Expenses                   | 10,096,887 |

### PROGRAM REVENUES

#### Operating Grants and Contributions:

|   |           |
|---|-----------|
| Proposition 10 Apportionment  | 6,330,830 |
| Proposition 10 Surplus Money Investment Fund                                    | 17,326    |
| Improve and Maximize Programs So All Children Thrive (IMPACT)                   | 638,589   |
| CalWORKs Help Me Grow/San Joaquin County 5Cs Project                            | 177,277   |
| CalWORKs Helping to Enhance Parents' Potential                                  | 275,112   |
| CalWORKs Preschool Services to CalWORKs Families                                | 81,736    |
| CalWORKs Substance Abuse Services   | 95,298    |
| CalWORKs Mental Health Services   | 89,314    |
| CA Dept of Social Services Home Visitation Initiative - FamilyWORKs             | 771,477   |
| San Joaquin Treatment and Education for Everyone on Teeth and Health (SJ TEETH) | 1,263,913 |
| Public Health Services - Proposition 56 Services                                | 56,849    |
| Sunlight Giving   | 75,000    |
| Total Program Revenues  | 9,872,721 |
| Net Program Revenues (Expenses)   | (224,166) |

### GENERAL REVENUES

|                                 |            |
|---------------------------------|------------|
| Interest Revenue                | 101,233    |
| Other Revenues                  | 32,013     |
|                                 | 133,246    |
| Change in Net Position          | (90,920)   |
| Net Position, Beginning of Year | 1,068,437  |
| Net Position, End of Year       | \$ 977,517 |

The accompanying notes are an integral part of these financial statements.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Balance Sheet – Governmental Fund  
June 30, 2019

ASSETS

|                      |    |                  |
|----------------------|----|------------------|
| Cash and Investments | \$ | 3,405,877        |
| Due From the State   |    | 2,266,578        |
| Interest Receivable  |    | 15,088           |
| Other Receivables    |    | 41,395           |
| Total Assets         | \$ | <u>5,728,938</u> |

LIABILITIES

|                        |    |                  |
|------------------------|----|------------------|
| Accounts Payable       | \$ | 1,733,301        |
| Accrued Payroll        |    | 28,613           |
| Advances From Grantors |    | 288,822          |
| Total Liabilities      |    | <u>2,050,736</u> |

FUND BALANCES

|                                       |    |                    |
|---------------------------------------|----|--------------------|
| Fund Balance                          |    |                    |
| Committed for Contractual Obligations |    | 5,634,553          |
| Unassigned                            |    | <u>(1,956,351)</u> |
| Total Fund Balance                    |    | <u>3,678,202</u>   |
| <br>                                  |    |                    |
| Total Liabilities and Fund Balances   | \$ | <u>5,728,938</u>   |

The accompanying notes are an integral part of these financial statements.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Reconciliation of the Governmental Fund to the Government-Wide Statement  
Statement of Net Position - Government Activities  
June 30, 2019

|   |    |                |
|---|----|----------------|
| Fund Balance - Total Governmental Fund  | \$ | 3,678,202      |
| Amounts reported for governmental activities in the statement of net position are different because:  |    |                |
| Deferred outflows of resources related to pensions and OPEB used in governmental activities are not financial resources and, therefore, are not reported in the Governmental Fund |    | 800,814        |
| Long-term liabilities are not due and payable in the current period and, therefore are not reported in the Governmental Fund  |    |                |
| Net Pension Liability   |    | (3,040,262)    |
| Compensated Absences  |    | (104,876)      |
| Total OPEB Liability  |    | (201,645)      |
| Deferred inflows of resources related to pensions and OPEB are not due in the current period, and therefore, are not reported in the Governmental Fund                            |    | (154,716)      |
| Net Position of Governmental Activities   | \$ | <u>977,517</u> |

The accompanying notes are an integral part of these financial statements.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Statement of Revenues, Expenditures and  
Changes in Fund Balance of the Governmental Fund – General Fund  
For the Year Ended June 30, 2019

REVENUES

|   |                       |
|---|-----------------------|
| Proposition 10 Apportionment  | \$ 6,330,830          |
| Proposition 10 Surplus Money Investment Fund                                    | 17,326                |
| Improve and Maximize Programs so All Children Thrive (IMPACT)                   | 638,589               |
| CalWORKs Help Me Grow/San Joaquin County 5Cs Project                            | 177,277               |
| CalWORKs Helping to Enhance Parents' Potential                                  | 275,112               |
| CalWORKs Preschool Services to CalWORKs Families                                | 81,736                |
| CalWORKs Substance Abuse Services   | 95,298                |
| CalWORKs Mental Health Services   | 89,314                |
| CA Dept of Social Services Home Visitation Initiative - FamilyWORKs             | 771,477               |
| San Joaquin Treatment and Education for Everyone on Teeth and Health (SJ TEETH) | 1,263,913             |
| Public Health Services - Proposition 56 Services                                | 56,849                |
| Sunlight Giving   | 75,000                |
| Use of Money  | 101,233               |
| Other Revenues  | <u>32,013</u>         |
| <br>Total Revenues  | <br><u>10,005,967</u> |

EXPENDITURES

Current:

General Government:

|                                |         |
|--------------------------------|---------|
| Salaries and Employee Benefits | 925,642 |
| Services and Supplies          | 122,140 |

Strategic Plan Programs:

|   |               |
|---|---------------|
| Access to Preschool Initiative  | 2,945,618     |
| Home Visitation Initiative  | 1,665,289     |
| FamilyWORKs   | 771,477       |
| Breastfeeding Initiative  | 58,266        |
| Improve and Maximize Programs so All Children Thrive (IMPACT)                   | 638,589       |
| Kindergarten Bridge   | 60,831        |
| San Joaquin Treatment and Education for Everyone on Teeth and Health (SJ TEETH) | 1,263,913     |
| Public Health Services Proposition 56 Oral Health Services                      | 56,849        |
| Help Me Grow/San Joaquin County 5Cs Project                                     | 251,647       |
| Helping to Enhance Parents' Potential   | 275,112       |
| Community Programs/Commission Funded  | 381,996       |
| Special Projects / Trainings / Evaluation                                       | 475,233       |
| Sponsorships  | <u>11,500</u> |

|                    |                  |
|--------------------|------------------|
| Total Expenditures | <u>9,904,102</u> |
|--------------------|------------------|

|                                 |                            |
|---------------------------------|----------------------------|
| Net Change in Fund Balance      | 101,865                    |
| Fund Balance, Beginning of Year | <u>3,576,337</u>           |
| Fund Balances End of Year       | <u><u>\$ 3,678,202</u></u> |

The accompanying notes are an integral part of these financial statements.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of the Governmental Fund to the  
Government-Wide Statement of Activities - Government Activities  
For the Year Ended June 30, 2019

|   |    |                 |
|---|----|-----------------|
| Net Change to Fund Balance - Total Governmental Fund  | \$ | 101,865         |
| Amounts Reported for Governmental Activities in the<br>Statement of Activities are Different Because:   |    |                 |
| Some expenses reported in the statement of activities do not require the use of current<br>financial resources and therefore, are not reported as expenditures in Governmental Funds. |    |                 |
| Change in Pension Expense   |    | (154,076)       |
| Change in Compensated Balances  |    | (13,966)        |
| Change in OPEB Expense  |    | (24,743)        |
| Change in Net Position of Governmental Activities   | \$ | <u>(90,920)</u> |

The accompanying notes are an integral part of these financial statements.

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements  
June 30, 2019

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

In November 1998, California voters approved Proposition 10 – The California Children and Families Act of 1998. This act created the California Children and Families Program for purposes of promoting, supporting, and improving the early development of children from the prenatal stage to five years of age. The Act also imposed additional excise taxes, effective January 1, 1999, on tobacco products as a means of funding this early childhood development program, which is to be administered by the State and the county commissions.

In accordance with the Act, the Board of Supervisors of the County of San Joaquin (County) created the First 5 San Joaquin Children and Families Commission (Commission) on January 26, 1999 through County ordinance nos. 4008, 4009, 4011 and 4398. The Commission consists of nine members, all appointed by the Board of Supervisors. The Commission adopted its Bylaws on June 23, 1999 and the Board of Supervisors approved these Bylaws on July 20, 1999 per Board Order no. 902. The Bylaws were amended by the Commission on March 25, 2010 and the amendments approved by the Board of Supervisors on May 11, 2010 per Board Order no. B-10-494. The Bylaws were amended again by the Commission on October 25, 2012 and those amendments were approved by the Board of Supervisors on November 20, 2012 per Board Order no. B-12-759. The Bylaws were amended to change term limits, change the composition of the Commission membership and change the number of commission meetings per year.

The Commission administers the San Joaquin County Children and Families Program (Program) under Health and Safety Code Division 108 commencing with Section 130100. The Program Coordinator prepares a strategic plan that has to be approved by the Commission before implementation.

A governing board of nine members, which are appointed by the County Board of Supervisors, oversees the Commission. The County Board of Supervisors can remove appointed members at will. Thus, the Commission is a discretely presented component unit of the County of San Joaquin. Commission employees are employees of the County of San Joaquin.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

### **B. Funding**

The additional excise taxes imposed on tobacco products are collected and deposited by the State Board of Equalization into the California Children and Families Trust Fund and subsequently allocated, after offsetting revenue losses to Proposition 99 (Tobacco Tax and Health Protection Act of 1988) programs and tobacco tax-supported Breast Cancer Fund programs, 20 percent to the State Commission and 80 percent to participating county commissions. Allocation of the monies to the county commissions is pro-rated to all participating counties based on the number of births recorded in all of the participating counties in California.

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements  
June 30, 2019

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Funding (continued)

Additional funding was received from First 5 California for participation in Improve and Maximize Programs So All Children Thrive (IMPACT), which is funded through June 30, 2020, and from California Work Opportunity and Responsibility to Kids (CalWORKs) for: Help Me Grow (funded year-to-year as available); Helping to Enhance Parents' Potential (May 1, 2016 through June 30, 2019); and for providing preschool services to CalWORKs families with children participating in a First 5 Preschool Initiative funded program (Funded year-to-year as available. Funds received in any fiscal year beginning with 2015-2016 for this expertise are to be carried forward two years for the benefit of the Access to Preschool Initiative to augment future funding availability).

In April 2018, the Commission received funding of \$75 thousand from Sunlight Giving for Help Me Grow projects. In March 2018, the Commission was notified that an additional total of \$150 thousand was awarded from Sunlight Giving for fiscal years 2019-2020 and 2020-2021 for the Family Resource & Referral Center Help Me Grow Call Center.

In May 2017, the Commission signed an agreement with the California Department of Health Care Services for the Dental Transformation Initiative Funding for the San Joaquin County Treatment and Education for Everyone on Teeth and Health (SJ TEETH) Local Dental Pilot Program for \$3,524 thousand for June 1, 2017 to December 31, 2020. In March 2019, the Commission was awarded a total of \$2,000 thousand in additional funding for this program, with \$1,000 thousand allocated to calendar year 2019 and \$1,000 thousand to calendar year 2020.

In December 2018, the Commission approved funding from the California Department of Social Services for the California Work Opportunity and Responsibility to Kids Home Visitation Initiative for the Family Work Opportunity and Responsibility to Kids Program (FamilyWORKs) in the amount of \$2,428 thousand for February 1, 2019 to June 30, 2020. This funding replaced the Helping to Enhance Parents' Potential program, which was terminated January 31, 2019.

### C. 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. 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 the related cash flows take place.



# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements  
June 30, 2019

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### C. **Basis of Presentation and Accounting** (continued)

When both restricted and unrestricted net position is available, restricted resources are used only after unrestricted resources are depleted.

#### *Fund Financial Statements*

Separate financial statements are provided for the governmental fund. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Revenues are considered available if received within 120 days of the fiscal year-end. Revenues susceptible to accrual include tax revenues, grant revenues, and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences, which are recognized when due and payable.

Non-exchange 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 available criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

### D. **Cash and Investments**

Cash and investments represent the Commission's share of the County Treasurer's cash and investment pool. The County Treasurer is responsible for the control and safekeeping of all instruments of title for all investments of the funds. Interest earned on investments is prorated to individual funds based on their daily average cash balance. The value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis.

### E. **Fair Value Measurement**

The Commission categorizes the fair value measurements of its investments based on hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission does not have any investments that are measured using Level 3 inputs.

### F. **Due from Other Agencies**

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

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements  
June 30, 2019

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### G. **Compensated Absences**

It is the Commission's policy to permit employees to accumulate unused vacation, holiday and sick pay benefits up to a specified maximum. For vacation accrual, the maximum accumulation hour depends on the number of full continuous biweekly payroll periods with the maximum amount at 320 hours. Unused vacation and holiday benefits are paid at the time of termination from County employment. The unused vacation, holiday, and their related benefits, are reported as long-term liabilities on the Commission's government-wide statement.

### H. **Pensions**

For purposes of measuring the net pension liability and deferred outflows or deferred inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the County's pension plan with San Joaquin County Employee's Retirement Association (SJCERA) and additions/deductions from the plan's fiduciary net position have been determined on the same basis as they were reported to SJCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

### I. **Other Post-Employment Benefits (OPEB)**

For purpose of measuring the total OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

### J. **Deferred Outflows and Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. A deferred outflow of resources is defined as a consumption of the net position by the Commission that is applicable to a future reporting period. The Commission recognized deferred outflows and inflows related to pensions and OPEB under the accrual basis of accounting.

### K. **Net Position/Fund Balances**

#### *Net Position*

Net position is displayed in three components; net investment in capital assets is reported as capital assets, net of related debt and net of accumulated depreciation, reduced by the outstanding balance of any outstanding borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislations of other governments when those restrictions are more restrictive than the normal activities of the Commission. The remaining balance is unrestricted.

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements  
June 30, 2019

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### K. Net Position/Fund Balances (continued)

#### *Fund Balances*

Fund balance is reported under the following classifications to describe the relative strength of the spending constraints:

*Nonspendable-* This category includes elements of the fund balance that cannot be spent because of their form (such as inventory), or because they must be maintained intact.

*Restricted-* This category includes resources that are subject to constraints that are externally enforceable legal restrictions such as funding from the State Commission or foundations that are legally restricted to specific uses.

*Committed-* Amounts constrained for specific purposes by an action item of the First 5 San Joaquin Commission itself, its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest-level action to remove or change the constraint.

*Assigned-* Amounts the Commission intends to use for a specific purpose. Intent can be expressed by the First 5 San Joaquin Commission or by an official or body to which the Commission delegates the authority. The Board of Supervisors has delegated authority for contracted amounts up to \$250,000 to the Human Services Agency Director of the County of San Joaquin, a First 5 Commission employee.

*Unassigned-* Amounts that cannot be classified into any other categories.

The Commission establishes and modifies or rescinds fund balance commitments by approving action items as reported in the Commission's meeting minutes. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts.

### L. 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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### M. New Accounting Pronouncements

During the fiscal year ending June 30, 2019, the Commission implemented the following standards:

**GASB Statement No. 83** – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. The Commission has

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements  
June 30, 2019

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### M. New Accounting Pronouncements (continued)

determined that the requirements of this Statement had no material impact to the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Commission has determined that the requirements of this Statement had no material impact to the financial statements.

Future new standards which may impact the Commission include the following:

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. The Commission has not determined the effect of this Statement.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. The Commission has not determined the effect of this Statement.

**GASB Statement No. 89** – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. The Commission has not determined the effect of this Statement.

**GASB Statement No. 90** – In June 2018, GASB issued Statement No. 90, *Majority Equity Interests – An amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018. The Commission has not determined the effect of this Statement.

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Statement 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. The Commission has not determined the effect of this Statement.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 2: CASH AND INVESTMENTS**

The Commission maintains all of its cash and investments with the San Joaquin County Treasurer (Treasurer) in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding deposit and investment risk disclosures can be found in the County’s financial statements. The County of San Joaquin’s financial statements may be obtained by contacting the County of San Joaquin’s Auditor Controller’s office at 44 N. San Joaquin St., Suite 550, Stockton, California 95202. The San Joaquin County Treasury Oversight Committee oversees the Treasurer’s investments and policies.

The Commission has no deposit or investment policy that addresses a specific type of risk. Investments held in the County’s investment pool are available on demand and are stated at cost plus interest, which approximates fair value.

**Fair Value Measurement**

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2019, the Commission held no individual investments. All funds are invested in the County Treasury.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the Commission’s proportionate share of investments in the County Treasury at June 30, 2019 of \$3,405,877 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

**NOTE 3: LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities as of June 30, 2019:

|                             | Balance<br>July 1, 2018 | Additions         | Retirements      | Balance<br>June 30, 2019 | Amounts<br>Due Within<br>One Year |
|-----------------------------|-------------------------|-------------------|------------------|--------------------------|-----------------------------------|
| Compensated absences        | \$ 90,910               | \$ 104,876        | \$ 90,910        | \$ 104,876               | \$ 85,658                         |
| Total long-term liabilities | <u>\$ 90,910</u>        | <u>\$ 104,876</u> | <u>\$ 90,910</u> | <u>\$ 104,876</u>        | <u>\$ 85,658</u>                  |

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements  
June 30, 2019

## NOTE 4: DEFINED BENEFIT PENSION PLAN

*Plan Description.* Employees of the Commission participate in the County of San Joaquin's (County) cost-sharing multiple-employer defined benefit retirement plan (the Plan) administered by the San Joaquin County Employees' Retirement Association (SJCERA). The Plan is governed by the San Joaquin Board of Retirement (Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the San Joaquin Board of Supervisors and/or SJCERA Board. SJCERA issues a stand-alone financial report, which may be obtained by visiting the website at [www.sjcera.org](http://www.sjcera.org).

### A. **Benefits Provided**

SJCERA provides retirement and disability benefits, annual cost of living adjustments (COLA), and death benefits to SJCERA members and beneficiaries. Members hired before December 31, 2012 (Tier I) are eligible to collect benefits at age 50 with the completion of 10 years of continuous service. Members hired after January 1, 2013 (Tier II) are eligible to collect benefits at age 52 with the completion of 10 years of continuous service. The benefit for Tier I employees is calculated based on the highest 12 consecutive months of compensation and Tier II employees at the highest 36 consecutive months and both are subject to post-retirement cost of living adjustments of up to three percent per year. Employees terminating before accruing five years of retirement service credit (five-year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period.

### B. **Contributions**

Participating employers and active members, including the Commission and the Commission's employees, are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SJCERA Board pursuant to Article 1 of the California Employees' Retirement Law of 1937 (CERL), which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly effective for a calendar year, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable, and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability.

Employer contribution rates for the year ended June 30, 2019, ranged from 35.80 percent to 48.75 percent of covered payroll. For the year ended June 30, 2019, the Commission's proportionate share of the County contribution to the Plan was \$361,176.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 4: DEFINED BENEFIT PENSION PLAN** (continued)

**B. Contributions** (continued)

At June 30, 2019, the Commission reported a liability of \$3,040,262 for its proportionate share of the County’s net pension liability. The County’s net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The County’s proportion of the pension plan’s net pension liability was based on a projection of the County’s long-term share of the contributions to the pension plan relative to the projected contributions of all pension plan participants, actuarially determined. The Commission’s proportion of the County’s net pension liability was based on the Commission’s contributions to the pension plan during the year ended December 31, 2018 relative to the County’s contributions. The Commission’s proportion of the County’s proportionate share was 0.1751 percent, an increase of 0.0023 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Commission recognized pension expense of \$516,000.

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

At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in proportion  | \$ 4,775                             | \$ 12,432                           |
| Changes of assumptions   | 164,346                              | -                                   |
| Differences between actual and expected experience   | 36,510                               | 79,662                              |
| Change in Employer’s Proportion and Differences between the Employer’s Contributions and the Employer’s Proportionate Share of Contributions | 56,126                               | 8,857                               |
| Net differences between projected and actual earnings on pension plan investments  | 333,343                              | -                                   |
| Commission contributions subsequent to the measurement date  | 192,172                              | -                                   |
| Total  | \$ 787,272                           | \$ 100,951                          |

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 4: DEFINED BENEFIT PENSION PLAN** (continued)

**C. Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

\$192,172 reported as deferred outflows of resources related to pensions resulting from Commission contributions 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 and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ended<br>June 30, |    |                |
|------------------------|----|----------------|
| 2019                   | \$ | 128,880        |
| 2020                   |    | 130,252        |
| 2021                   |    | 116,604        |
| 2022                   |    | 118,413        |
| Total                  | \$ | <u>494,149</u> |

**D. Actuarial Assumptions**

The Commission’s proportion of the County’s total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

|                            |  |
|----------------------------|--|
| Actuarial Valuation Date:  | January 1, 2018  |
| Actuarial Cost Method:     | Entry-Age Actuarial Cost Method  |
| Inflation                  | 2.90%  |
| Amortization growth rate   | 3.15%  |
| Projected Salary Increases | 3.15% plus merit component based on employee classification and years of service   |
| COLA Increases             | 2.60%  |
| Investment Rate of Return  | 7.25%, net of investment expense   |
| Post-Retirement Mortality  | Mortality rates were based on sex distinct tables from CalPERS' 2013 experience study, with generational mortality improvements projected from 2009 using Projection Scale MP-2015 |

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2015.



**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 4: DEFINED BENEFIT PENSION PLAN** (continued)

**D. Actuarial Assumptions** (continued)

The long-term expected rate of return on defined benefit pension plan investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2018 and the arithmetic long-term expected real rates of return:

| <u>Asset Class</u>                               | <u>Target Allocation</u> | <u>Arithmetic<br/>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|--|--------------------------|--|
| Global Public Equities                           | 30.00%                   | 9.15%  |
| Stable Fixed Income                              | 10.00%                   | 4.45%  |
| Credit   | 14.00%                   | 7.45%  |
| Risk Parity                                      | 14.00%                   | 6.55%  |
| Private Appreciation/Real Estate-Private Manager | 12.00%                   | 9.75%  |
| Crisis Risk Offset (CRO)                         | 20.00%                   | 5.50%  |
| Short-Term Investments/Cash/Cash Equivalents     | 0.00%                    | 3.15%  |
| Total  | <u>100.00%</u>           |  |

**E. Change of Assumptions**

For the measurement date December 31, 2018, the accounting discount rate reduced from 7.40 percent to 7.25 percent.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members, are not included. Based on those assumptions, the pension plan's plan net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected payments to determine the total pension liability as of December 31, 2018.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 4: DEFINED BENEFIT PENSION PLAN** (continued)

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

The following presents the Commission’s proportionate share of the County’s net pension liability calculated using the discount rate of 7.25 percent, as well as the Commission’s proportionate share of the County’s net pension liability if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

|   | 1%<br>Decrease<br>(6.25%) | Discount<br>Rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|---|---------------------------|-----------------------------|---------------------------|
| Commission's proportionate share of the<br>County's net pension liability | \$ 4,081,529              | \$ 3,040,262                | \$ 2,185,283              |

**H. Pension Plan fiduciary net position**

Detailed information about the County’s collective net pension liability is available in the County’s separately issued basic financial statements. The County of San Joaquin’s financial statements may be obtained by contacting the county of San Joaquin’s Auditor-Controller’s office at 44 N. San Joaquin St., Suite 550, Stockton, California 95202. Detailed information about the SJCERA’s fiduciary net position is available in a separately issued SJCERA comprehensive annual financial report. That report may be obtained on the internet at [www.sjcera.org](http://www.sjcera.org).

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*Plan Description.* The Commission participates in County of San Joaquin’s Single Employer Defined Benefit Healthcare Plan. The plan is administered by the County and governed by the Board of Supervisors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The County has not executed a formal plan document that provides for these benefits and the plan does not have a name.

**A. Benefits Provided**

Any member receiving retirement or survivor benefit from SJCERA is eligible to purchase post-retirement health coverage through the plans offered by the County. A member may elect to enroll in a County retiree health plan at the time of retirement, later elect to defer coverage and, if the retiree can show evidence of continuous coverage in an employer provided group health insurance program, can within 30 days of terminating other group coverage re-enroll in a County retiree health plan. Retirees who leave the County health plans and enroll in individual coverage may not re-enroll in a County plan at a later date.

The retired members will generally pay the full amount of the specified premium for any County retiree health plan. Members hired before August 27, 2001 may use the value of accumulated sick leave bank to pay for premiums in retirement, subject to a minimum threshold of \$4,424.80 at retirement. However, if a member selects one of the medical plans with a premium determined based on a blending of active and retiree populations (currently, Kaiser non-Medicare coverage and the self-funded plans), an implicit subsidy must be recognized. The total OPEB benefits provided was \$8,255 for the year ended June 30, 2019.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**B. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the Commission reported a liability of \$201,645 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2018. The Commission's proportion of the total OPEB liability was based on total FTEs of the Commission relative to the total FTEs of the County. At December 31, 2018, the Commission's proportion was 0.171 percent, an increase of 0.013 from its proportion measured as of December 30, 2017.

For the year ended June 30, 2019, the Commission recognized OPEB expense of \$15,313. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
|  | <u>                    </u>          | <u>                    </u>         |
| Changes of Assumptions   | \$ 9,126                             | \$ 36,414                           |
| OPEB benefits provided subsequent to measurement date                    | 4,416                                | -                                   |
| Net difference between projected and actual earnings on plan investments | -                                    | 17,351                              |
|  | <u>                    </u>          | <u>                    </u>         |
| Total  | <u>\$ 13,542</u>                     | <u>\$ 53,765</u>                    |

\$4,416 reported as deferred outflows of resources related to OPEB resulting from the Commission's benefits provided subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended<br>June 30,      |                    |
|-----------------------------|--------------------|
| <u>                    </u> |                    |
| 2020                        | \$ (5,557)         |
| 2021                        | (5,557)            |
| 2022                        | (5,557)            |
| 2023                        | (5,557)            |
| 2024                        | (5,557)            |
| Thereafter                  | <u>(16,854)</u>    |
| Total                       | <u>\$ (44,639)</u> |

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**C. Actuarial Assumptions**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                        |  |
|------------------------|--|
| Actuarial Cost Method: | Entry-Age Normal Cost Method   |
| Actuarial Assumptions  |  |
| Valuation Date         | December 31, 2018  |
| Discount Rate          | 4.10%  |
| Wage Inflation         | 3.15%  |
| Medical Trend          | Pre-Med - 8.0% for 2019,<br>decreasing to 4.5% in 2034<br>Post-Med - 8.0% for 2019<br>decreasing to 4.5% in 2034 |
| Mortality Improvement  | Mortality projected fully<br>generational with Scale MP - 2018   |
| Salary Increase        | 3.15%  |

**D. Discount Rate**

The discount rate used to measure the total OPEB liability was 4.10 percent for the plan. The discount rate was based on the Bond Buyer 20-Bond Municipal Bond Index.

**E. Sensitivity of the Commission’s proportionate share of the total OPEB liability to changes in the discount rate**

The following presents the Commission’s proportionate share of the total OPEB liability, as well as what the Commission’s proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10 percent) or 1-percentage-point higher (5.10 percent) than the current discount rate:

|  | 1%<br>Decrease<br>(3.10%) | Discount<br>Rate<br>(4.10%) | 1%<br>Increase<br>(5.10%) |
|--|---------------------------|-----------------------------|---------------------------|
|  | <hr/>                     | <hr/>                       | <hr/>                     |
| Commission's proportionate share of the<br>County's OPEB liability | \$ 228,586                | \$ 201,645                  | \$ 179,405                |

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)**

**F. Sensitivity of the Commission’s proportionate share of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the Commission’s proportionate share of the total OPEB liability, as well as what the Commission’s proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|  | <u>1%<br/>Decrease</u> | <u>Discount<br/>Rate</u> | <u>1%<br/>Increase</u> |
|--|------------------------|--------------------------|------------------------|
| Commission's proportionate share of the<br>County's OPEB liability | \$ 173,867             | \$ 201,645               | \$ 236,568             |

The Pre-Med trend rate of 8%, decreasing to 4.5% in 2034.

Post-Med trend rate of 8%, decreasing to 4.5% in 2034.

**NOTE 6: PROGRAM EVALUATION**

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis, and presentation of evaluation information for Commission management, Commissioners, and other interested parties.

The Commission spent \$328,160 on program evaluation during the fiscal year.

**NOTE 7: RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and employees’ health. Insurance for the Commission is secured through the County of San Joaquin’s self-insurance programs for casualty, workers compensation, unemployment compensation, medical insurance, and dental insurance. The County also joins together with other counties in the State through the California State Association of Counties (CSAC) to obtain general liability and malpractice insurance coverage for claims in excess of the coverage provided by the County. The County also purchases commercial stop loss insurance for the health and dental insurance coverage in excess of the County covered portion. Settled claims have not exceeded the CSAC coverage or the commercial insurance coverage in any of the past three fiscal years.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements  
June 30, 2019

**NOTE 8: CONTINGENT LIABILITIES**

The Commission receives funding from the State of California Proposition 10, The California Children and Families Act of 1998, to fund programs that promote, support, and improve the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the Commission’s management does not expect such amounts, if any, to be material

**NOTE 9: RELATED PARTY TRANSACTIONS**

The required composition of the Commission includes members for the County, other local governments, and community-based organizations which serve children. Many of the programs funded by the Commission are operated by organizations represented by Commissioners. Commissioners must abstain from voting on issues directly related to their respective organizations. The following table shows the contracts awarded in FY 2019, whereby Commissioners were required to abstain from voting:

| <u>Agency Name</u>   | <u>Total</u>        |
|--|---------------------|
| Read to Me, Stockton!  | \$ 51,500           |
| Catholic Council for the Spanish Speaking of the Diocese of Stockton | 822,330             |
| Family Resource & Referral Center                                    | 1,637,380           |
| Manteca Unified School District                                      | 1,590,361           |
| San Joaquin County Office of Education                               | 508,908             |
| Total  | <u>\$ 4,610,479</u> |

The Commission also contracts with the County to provide accounting, banking and investment, purchasing, human resources, risk management and other administrative services. The Commission participates in the County’s risk management programs (commercial and self-insurance programs) for general liability insurance, public official liability, personal property, worker’s compensation, group health insurance plans, group dental plan, group life insurance plan, and group vision plan. The Commission also rents office space in a County leased building. The Commission incurred expenses totaling \$53,986 for all County services and office space provided during the year ended June 30, 2019. No amounts were due to the County as of June 30, 2019.



Required Supplementary Information

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Schedule of Revenues, Expenditures and Changes In  
Fund Balance - Budget and Actual - General Fund  
For the Year Ended June 30, 2019

|  | Budgeted Amounts    |                     | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive (Negative) |
|--|---------------------|---------------------|-------------------------------------|--|
|  | Original            | Final               |                                     |  |
| <b>Budgetary Fund Balance, July 1, 2018</b>  | \$ 3,576,337        | \$ 3,576,337        | \$ 3,576,337                        | \$ -   |
| <b>Resources (inflows):</b>  |                     |                     |                                     |  |
| Proposition 10 Apportionment   | 6,470,717           | 6,104,087           | 6,330,830                           | 226,743  |
| Public Health Services Proposition 56 - Oral Health                                | 52,000              | 60,799              | 56,849                              | (3,950)  |
| Improve and Maximize Programs so All Children Thrive (IMPACT)                      | 697,974             | 738,363             | 638,589                             | (99,774)   |
| San Joaquin Treatment and Education for Everyone on<br>Teeth and Health (SJ TEETH) | 1,110,128           | 1,844,498           | 1,263,913                           | (580,585)  |
| CalWORKs Preschool Slots   | 175,000             | 175,000             | 81,736                              | (93,264)   |
| Proposition 10 Surplus Money Investment Fund                                       | -                   | -                   | 17,326                              | 17,326   |
| CalWORKs Helping to Enhance Parents' Potential (CalHEPP)                           | 453,740             | 275,112             | 275,112                             | -  |
| California Dept of Social Services Home Visitation<br>Initiative (FamilyWORKs)     | -                   | 804,219             | 771,477                             | (32,742)   |
| CalWORKs Help Me Grow/San Joaquin County 5Cs Project                               | 193,000             | 192,932             | 177,277                             | (15,655)   |
| CalWORKs Substance Abuse Prevention  | 100,000             | 100,000             | 95,298                              | (4,702)  |
| CalWORKs Mental Health   | 100,000             | 100,000             | 89,314                              | (10,686)   |
| Sunlight Giving Grant  | 75,000              | 75,000              | 75,000                              | -  |
| Use of Money   | 30,347              | 34,535              | 101,233                             | 66,698   |
| Other Revenues   | 10,000              | 37,999              | 32,013                              | (5,986)  |
| <b>Total Resources</b>   | <u>9,467,906</u>    | <u>10,542,544</u>   | <u>10,005,967</u>                   | <u>(536,577)</u>                                     |
| <b>Amounts Available for Appropriation</b>   | <u>13,044,243</u>   | <u>14,118,881</u>   | <u>13,582,304</u>                   | <u>(536,577)</u>                                     |
| <b>Charges to Appropriations (outflows):</b>                                       |                     |                     |                                     |  |
| Current:   |                     |                     |                                     |  |
| General Government:  |                     |                     |                                     |  |
| Salaries & Employee Benefits   | 913,553             | 968,972             | 925,642                             | 43,330   |
| Service & Supplies   |                     |                     |                                     |  |
| Legal Services   | 10,000              | 10,000              | 6,654                               | 3,346  |
| Administrative Services  | 9,855               | 9,838               | 1,058                               | 8,780  |
| Communications   | 5,500               | 6,102               | 4,834                               | 1,268  |
| Memberships  | 600                 | 600                 | -                                   | 600  |
| Rents & Leases - Equipment   | 14,000              | 14,972              | 10,712                              | 4,260  |
| Office Expense   | 4,250               | 4,787               | 3,746                               | 1,041  |
| Special Department Expenses  | 1,000               | 1,000               | 1,302                               | (302)  |
| Publication and Legal Notices  | 200                 | 200                 | -                                   | 200  |
| Data Processing Charges  | 1,532               | 1,532               | 1,161                               | 371  |
| Insurance - Workers' Compensation  | 1,354               | 1,354               | 1,354                               | -  |
| Insurance - Casualty   | 2,198               | 2,198               | 2,198                               | -  |
| Transportation and Travel  | 22,000              | 22,000              | 4,718                               | 17,282   |
| Professional & Special Services  | 61,254              | 61,254              | 50,481                              | 10,773   |
| Rents - Structures & Grounds   | 36,434              | 39,793              | 33,922                              | 5,871  |
| Strategic Plan Programs:   |                     |                     |                                     |  |
| Community Programs   | 460,600             | 552,600             | 462,607                             | 89,993   |
| Access to Preschool Initiative   | 3,260,694           | 3,260,694           | 3,260,694                           | -  |
| IMPACT   | 648,555             | 755,521             | 649,017                             | 106,504  |
| Kindergarten Bridge  | 87,870              | 87,870              | 87,870                              | -  |
| San Joaquin Treatment and Education for Everyone on<br>Teeth and Health (SJ TEETH) | 1,110,128           | 1,844,499           | 1,499,013                           | 345,486  |
| Help Me Grow/ San Joaquin County 5Cs Project                                       | 251,250             | 304,812             | 265,691                             | 39,121   |
| Home Visitation Initiative   | 1,693,287           | 1,693,287           | 1,693,287                           | -  |
| CalWORKs Helping to Enhance Parents' Potential (CalHEPP)                           | 453,740             | 275,112             | 275,112                             | -  |
| California Dept of Social Services Home Visitation<br>Initiative (FamilyWORKs)     | -                   | 804,219             | 811,928                             | (7,709)  |
| Public Health Services Prop 56 - Oral Health                                       | 52,000              | 60,799              | 60,799                              | -  |
| Public Relations - Sponsorships  | 15,000              | 15,000              | 11,500                              | 3,500  |
| Professional & Special Services  | 531,575             | 562,557             | 547,343                             | 15,214   |
| <b>Total Expenditures</b>  | <u>9,648,429</u>    | <u>11,361,572</u>   | <u>10,672,643</u>                   | <u>688,929</u>                                       |
| <b>Budgetary Fund Balance, June 30, 2019</b>                                       | <u>\$ 3,395,814</u> | <u>\$ 2,757,309</u> | <u>\$ 2,909,661</u>                 | <u>\$ 152,352</u>                                    |

See accompanying notes to the required supplementary information.



**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Schedule of Revenues, Expenditures and Changes In  
Fund Balance - Budget and Actual - General Fund (Continued)  
For the Year Ended June 30, 2019

|   | <u>Amount</u>               |
|---|-----------------------------|
| <b>Sources/Inflows of Resources:</b>  |                             |
| Actual amounts (budgetary basis) "available for appropriation" from the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual   | \$ 13,582,304               |
| Differences - Budget to GAAP:   |                             |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes  | <u>(3,576,337)</u>          |
| <b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance</b>   | <u><u>\$ 10,005,967</u></u> |
| <br>  |                             |
| <b>Uses/Outflows of Resources:</b>  |                             |
| Actual amounts (budgetary basis) "total charges to appropriations" from the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual   | \$ 10,672,643               |
| Differences - Budget to GAAP:   |                             |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the services/supplies are received for financial reporting purposes | <u>(768,541)</u>            |
| <b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance</b>   | <u><u>\$ 9,904,102</u></u>  |

See accompanying notes to the required supplementary information.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Schedule of the Commission's Proportionate Share of the County's  
Net Pension Liability  
Last 10 Years\*

| Last Ten Fiscal Years*  | <u>FY 2019</u>    | <u>FY 2018</u>    | <u>FY 2017</u>    | <u>FY 2016</u>    |
|---|-------------------|-------------------|-------------------|-------------------|
| Commission's proportion of the County's net pension liability   | 0.1751%           | 0.1728%           | 0.1739%           | 0.1747%           |
| Commission's proportionate share of the County's net pension liability  | \$ 3,040,262      | \$ 2,562,481      | \$ 2,713,782      | \$ 2,226,044      |
| Commission's covered payroll  | \$ 794,059        | \$ 739,818        | \$ 704,116        | \$ 691,535        |
| Commission's proportionate share of the County's net pension liability as a percentage of its covered payroll | 382.9%            | 346.4%            | 385.4%            | 321.9%            |
| Plan fiduciary net position as a percentage of the total net pension liability                                | 60.44%            | 64.54%            | 60.50%            | 61.10%            |
| Measurement Date  | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |

\*Additional years will be presented as they become available

See accompanying notes to the required supplementary information.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Schedule of the Commission's Pension Contribution  
Last 10 Years\*

|  | <u>FY 2019</u>     | <u>FY 2018</u>    | <u>FY 2017</u>     | <u>FY 2016</u> | <u>FY 2015</u> |
|--|--------------------|-------------------|--------------------|----------------|----------------|
| Actuarially determined contribution                                  | \$ 318,664         | \$ 324,063        | \$ 276,324         | \$ 246,710     | \$ 194,039     |
| Contributions in relation to the actuarially determined contribution | \$ (361,176)       | \$ (333,756)      | \$ (295,227)       | \$ (246,204)   | \$ (193,542)   |
| Contribution deficiency (excess)                                     | <u>\$ (42,512)</u> | <u>\$ (9,693)</u> | <u>\$ (18,903)</u> | <u>\$ 506</u>  | <u>\$ 497</u>  |
| Commission's covered payroll   | \$ 739,818         | \$ 750,240        | \$ 745,675         | \$ 702,684     | \$ 596,178     |
| Contributions as a percentage of covered payroll                     | 48.82%             | 44.49%            | 39.59%             | 35.04%         | 32.46%         |

\*Additional years will be presented as they become available

See accompanying notes to the required supplementary information.

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Schedule of the Commission's Proportionate Share of the County's Total OPEB Liability  
Last 10 Years\*

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| Commission's proportion of the total OPEB liability  | \$ 201,645        | \$ 222,298        |
| Commission's proportionate share of the total OPEB liability   | 0.1711%           | 0.1580%           |
| Commission's covered-employee payroll  | 782,766           | 766,369           |
| Commission's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll | 25.76%            | 29.01%            |
| Measurement Date   | December 31, 2018 | December 31, 2017 |

\* Fiscal year 2018 was the first year of implementation of GASB 75, therefore, only two years are shown.

See accompanying notes to the required supplementary information.

# FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION

Notes to Required Supplementary Information  
June 30, 2019

## **NOTE 1: BUDGET AND BUDGETARY ACCOUNTING**

The San Joaquin County Children and Families Commission (Commission) prepares and legally adopts an operating budget on or before August 31 of each year. Public hearings are conducted to review all proposed appropriations and the sources of financing before adoption. Until the adoption of this final budget, operations are governed by the proposed budget. The budget is prepared on a budget basis except that encumbrances are treated as budgeted expenditures in the year the purchase commitment is made. The encumbered appropriations do not lapse at the end of the year. Accordingly, encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance for subsequent year expenditures and become authorized encumbrance appropriations carried over. Throughout the fiscal year, the Commission may make supplemental appropriations when revenues are received from unanticipated sources.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditure include: salaries and benefits, services and supplies, rent and utilities, and program expenditures.



Supplementary Information

**FIRST 5 SAN JOAQUIN CHILDREN AND FAMILIES COMMISSION**

Supplemental Schedule of First 5 California (F5CA) Funding  
For the Year Ended June 30, 2019

| <u>Program/Project Title</u>         | <u>Source</u> | <u>Revenue</u> | <u>Expenditures</u> | <u>Change in Fund Balance</u> | <u>Fund Balance Beginning of Year</u> | <u>Fund Balance End of Year</u> |
|--------------------------------------|---------------|----------------|---------------------|-------------------------------|---------------------------------------|---------------------------------|
| Improve and Maximize Programs so All |               |                |                     |                               |                                       |                                 |
| Children Thrive (IMPACT)             | F5CA Funds    | \$ 707,409     | \$ 638,589          | \$ 68,820                     | \$ 89,021                             | \$ 157,841                      |



## Compliance Reports





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

Board of Commissioners  
First 5 San Joaquin Children and Families Commission  
Stockton, 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 general fund of the First 5 San Joaquin Children and Families Commission (Commission), a component unit of the County of San Joaquin, California (County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated October 25, 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

  
Sacramento, California  
October 25, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners  
First 5 San Joaquin Children and Families Commission  
San Joaquin, California

### **Report on Compliance**

We have audited the First 5 San Joaquin Children and Families Commission's (Commission), a component unit of the County of San Joaquin, California, 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 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 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 the 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. 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:

| Description                           | Audit Guide<br>Procedures | Procedures Performed |
|---------------------------------------|---------------------------|----------------------|
| 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, the 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.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on 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. Accordingly, this report is not suitable for any other purpose.

  
 Sacramento, California  
 October 25, 2019