

**KERN COUNTY CHILDREN AND  
FAMILIES COMMISSION**

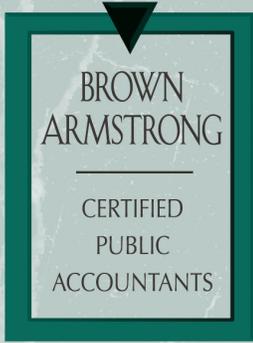
**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2020 AND 2019**

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
JUNE 30, 2020 AND 2019**

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# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
Kern County Children and Families Commission  
Bakersfield, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Kern County Children and Families Commission (the Commission), a component unit of the County of Kern, as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## 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 major fund of the Commission as of June 30, 2020 and 2019, and the respective changes in its financial position thereof and the General Fund budgetary comparison statements for the fiscal years 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 on pages 3 through 6 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 financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, 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 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
September 25, 2020

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

This section of the Kern County Children and Families Commission (the Commission) annual financial report presents our discussion and analysis of the Commission's financial condition and results of operations for the fiscal years ended June 30, 2020 and 2019.

The management's discussion and analysis (MD&A) is designed to focus on current financial activities, resulting changes, and currently known facts with respect to the Commission's net position. It should be read in conjunction with the accompanying financial statements and related footnotes.

In November 1998, California voters approved Proposition 10, which established the California Children and Families Act (the Act). The Act established the California Children and Families Commission as the lead agency and required counties that wish to participate to establish a local county commission that allocates funds to local service providers for programs that promote, support, and improve the early development of children from prenatal through age five and promote children's readiness to enter school. To fund these programs, the Act imposed an additional excise tax on cigarettes and tobacco related products. Revenue in the County of Kern (the County) is driven by total tobacco sales tax collections statewide and the number of live births in the County relative to the number of live births statewide.

On December 15, 1998, the County Board of Supervisors enacted Ordinance G-6565, which created the Commission, established the membership of the Commission, and authorized the establishment of the Kern County Children and Families Trust Fund. The Commission is also known as First 5 Kern.

The Commission allocates funds to programs supporting early childhood development in the County. The funds are allocated to programs in the following four focus areas: Health and Wellness, Parent Education and Support Services, Early Childcare and Education, and Integration of Services. The County's Commission is a leader at the state level and serves as a model for others. Contractors are held to strict standards of financial and program compliance. The Commission also performs administrative site visits to monitor contractor compliance with the requirements of their general agreement and to assist in program evaluation, sustainability, and improvement.

**Fiscal Year 2019-20 Financial Highlights**

- The Commission earned \$10,118,993 in program revenues; of this amount, \$8,908,476 was from the State for revenues collected under the Act, \$862,715 was from the Improve and Maximize Programs so All Children Thrive (IMPACT) grant, \$347,802 from grants and other income.
- During fiscal year 2019-20, the Commission disbursed \$8,002,158 to various programs providing services to children prenatal to five years based on the above focus areas.
- The assets of the Commission exceeded its liabilities at the close of the recent fiscal year by \$17,740,821 (net position). Of this amount, \$8,417,789 is restricted to meet fiscal year 2020-21 contractual obligations and \$9,315,322 represents unrestricted net position.
- At the close of the current fiscal year, the Commission's governmental fund reported an ending fund balance of \$17,897,750, an increase of \$1,689,004 in comparison with the prior year. This increase is mainly due to the prior year's receipt of the May and June Proposition 10 revenue allocations from the State.

Variiances between the Commission's budgeted and actual amounts included the following:

- Actual operating revenues were \$2,549,019 more than budgeted revenues. This increase is attributable to the increase in Proposition 56 apportionments from the State.
- Some expenditures were less than budgeted due to the direction of management and an administrative review of costs, including the following:
  - Contributions to agents were \$1,452,168 less than budgeted due to contracts being executed under budget. Additionally, due to COVID-19 many providers were unable to provide direct services.
  - Payroll and employee benefits were under budget by \$267,927 and \$85,883, respectively, due to the cost of living allowance not being implemented, and vacant positions.
  - Administrative Costs (County of Kern) were under budget by \$19,782. The Commission set aside funds for legal counsel to review contracts; however, the actual costs of the review were less than budgeted.
  - Professional and specialized services were under budget by \$88,734 due to funds set aside so the Commission could take advantage of potential systems building and integration of service opportunities.

### **Overview of the Financial Statements**

The Commission's financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the financial statements, this report also contains other supplementary information and notes explaining some of the information in the financial statements and providing more detailed data.

**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's business.

The Statement of Net Position presents total assets and deferred outflows of resources (if applicable), and total liabilities and deferred inflows of resources (if applicable), with the difference reported as net position. Most of the fund balance was earmarked for Commission approved programs, existing contractual obligations, and Commission approved sustainability funds as of June 30, 2020 and 2019.

**Fund Financial Statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spending resources, as well as on balances of spendable resources available at the end of the fiscal year. The Commission adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Commission-Wide Financial Analysis

**Statement of Net Position.** Net position (assets minus liabilities) may serve as a useful indicator of the Commission's financial health. In the case of the Commission, assets exceeded liabilities by \$17,740,821 at the close of the most recent fiscal year. However, financial statement users need to consider other factors, both financial and non-financial, in assessing the Commission's net position. These factors include changes in services, changes in State funding and law, and changes in the economy.

Changes in the Commission's net position were as follows:

	2020	2019	2018	2020-2019		2019-2018	
				Change	%	Change	%
<b>Assets</b>							
Current Assets	\$ 19,663,326	\$ 19,870,230	\$ 20,182,136	\$ (206,904)	-1.04%	\$ (311,906)	-1.55%
Capital Assets, Net	7,710	11,984	16,258	(4,274)	-35.66%	(4,274)	-26.29%
<b>Total Assets</b>	<b>19,671,036</b>	<b>19,882,214</b>	<b>20,198,394</b>	<b>(211,178)</b>	<b>-1.06%</b>	<b>(316,180)</b>	<b>-1.57%</b>
<b>Liabilities</b>							
Current Liabilities	1,855,373	2,492,241	2,350,083	(636,868)	-25.55%	142,158	6.05%
Long-Term Liabilities	74,842	14,908	38,236	59,934	402.03%	(23,328)	-61.01%
<b>Total Liabilities</b>	<b>1,930,215</b>	<b>2,507,149</b>	<b>2,388,319</b>	<b>(576,934)</b>	<b>-23.01%</b>	<b>118,830</b>	<b>4.98%</b>
<b>Net Position</b>							
Net Investment in Capital Assets	7,710	11,984	16,258	(4,274)	-35.66%	(4,274)	-26.29%
Restricted	8,417,789	9,538,826	9,365,567	(1,121,037)	-11.75%	173,259	1.85%
Local Initiatives and Unrestricted	9,315,322	7,824,255	8,428,250	1,491,067	19.06%	(603,995)	-7.17%
<b>Total Net Position</b>	<b>\$ 17,740,821</b>	<b>\$ 17,375,065</b>	<b>\$ 17,810,075</b>	<b>\$ 365,756</b>	<b>2.11%</b>	<b>\$ (435,010)</b>	<b>-2.44%</b>

Net position is reported in three distinct categories: net investment in capital assets represents the portion of the Commission's net position that is comprised of capital assets, restricted net position represents resources that are subject to restrictions on how they may be used, and the remaining balance is local initiatives and unrestricted.

At the end of fiscal years 2019-20 and 2018-19, the Commission was able to report positive balances in all three categories of net position.

**Statement of Activities.** A summary of the Commission's revenues, expenses, and change in net position for fiscal years 2019-20 and 2018-19 is as follows:

	2020	2019	2018	2020-2019		2019-2018	
				Change	%	Change	%
Program Revenues	\$ 10,118,993	\$ 9,555,348	\$ 8,729,316	\$ 563,645	5.90%	\$ 826,032	9.46%
General Revenues	310,464	372,249	240,983	(61,785)	-16.60%	131,266	54.47%
<b>Total Revenues</b>	<b>10,429,457</b>	<b>9,927,597</b>	<b>8,970,299</b>	<b>501,860</b>	<b>5.06%</b>	<b>957,298</b>	<b>10.67%</b>
Expenses	10,063,701	10,362,607	10,299,789	(298,906)	-2.88%	62,818	0.61%
Change in Net Position	365,756	(435,010)	(1,329,490)	800,766	-184.08%	894,480	-67.28%
Net Position - Beginning of Year	17,375,065	17,810,075	19,139,565	(435,010)	-2.44%	(1,329,490)	-6.95%
Net Position - End of Year	<b>\$ 17,740,821</b>	<b>\$ 17,375,065</b>	<b>\$ 17,810,075</b>	<b>\$ 365,756</b>	<b>2.11%</b>	<b>\$ (435,010)</b>	<b>-2.44%</b>

## Revenues

Changes in revenue from the prior year are briefly summarized as follows:

- Operating revenue from the State for Proposition 10 distributions increased in fiscal year 2019-20 by \$400,562 over the prior year. This increase is attributable to the increase in Proposition 56 apportionments from the State.
- Other State income decreased in fiscal year 2019-20 by \$92,290 over the prior year mainly due to COVID-19 pandemic and state mandated closures of various organizations.

- Grant awards and other income increased in fiscal year 2019-20 by \$255,373 over the prior year mainly due to local grant funding received from Kern Behavioral Health and Recovery Services Department,
- The Commission received \$61,785 less interest income in fiscal year 2019-20 than in the prior year due to the market conditions and available cash.

## **Expenses**

Changes in expenses from the prior year are briefly summarized as follows:

- Contributions to agents decreased by \$387,792 in fiscal year 2019-20 from those of the prior year due to programs spending less of their budgets. Programs were affected by the COVID-19 and subsequent state closure mandates.
- Professional and specialized services increased \$84,991 in fiscal year 2019-20 from the prior year. In fiscal year 2019-20, the Commission increased contractual expenses with various vendors in part to expand systems integration of services.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – The Commission’s capital assets for its governmental activities amounted to \$7,710 and \$11,984 (net of accumulated depreciation) as of June 30, 2020 and 2019, respectively. Capital assets include equipment and vehicles. Refer to Note 3 for additional details.

Debt Administration – At the end of the current fiscal year, the Commission’s long-term obligations were for compensated absences in the amount of \$164,639 and \$123,865 as of June 30, 2020 and 2019, respectively. Refer to Note 4 for additional details.

## **ECONOMIC FACTORS AND NEXT FISCAL YEAR’S BUDGET**

The Commission is committed to building strong and effective systems and programs for the early development of children from the prenatal stage through age five that can be supported for the long-term. The Commission continually reviews and refines the financial plan and assumptions. The Commission adopted a revised Long-Term Financial Plan on June 3, 2020, and a revised Strategic Plan on March 4, 2019.

The following factors are considered in preparing the Commission’s fiscal year 2019-2020 budget:

Administrative expenses are budgeted at 8% or less of the Commission’s operating budget.

California Children and Families Commission State Proposition 10 annual fund projections are based on the Department of Finance birth projections.

## **Requests for Information**

This financial report is designed to provide an overview of the Commission’s finances and to demonstrate the Commission’s accountability for funds received. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Executive Director, Kern County Children and Families Commission, 2724 L Street, Bakersfield, California 93301.

## **FINANCIAL STATEMENTS**

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENTS OF NET POSITION  
JUNE 30, 2020 AND 2019**

<b><u>ASSETS</u></b>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 17,873,459	\$ 17,299,973
Accounts receivable	1,680,681	2,459,630
Interest receivable	101,803	105,136
Prepaid expenses	<u>7,383</u>	<u>5,491</u>
Total Current Assets	<u>19,663,326</u>	<u>19,870,230</u>
Capital Assets		
Equipment	67,610	67,610
Less accumulated depreciation	<u>(59,900)</u>	<u>(55,626)</u>
Total Capital Assets, Net of Depreciation	<u>7,710</u>	<u>11,984</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 19,671,036</u></u></b>	<b><u><u>\$ 19,882,214</u></u></b>
 <b><u>LIABILITIES AND NET POSITION</u></b>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,733,793	\$ 2,304,253
Accrued payroll	31,783	79,031
Long-term liabilities		
Due within one year		
Compensated absences	89,797	108,957
Due after one year		
Compensated absences	<u>74,842</u>	<u>14,908</u>
TOTAL LIABILITIES	<u>1,930,215</u>	<u>2,507,149</u>
NET POSITION		
Net investment in capital assets	7,710	11,984
Restricted	8,417,789	9,538,826
Unrestricted	<u>9,315,322</u>	<u>7,824,255</u>
TOTAL NET POSITION	<u>17,740,821</u>	<u>17,375,065</u>
TOTAL LIABILITIES AND NET POSITION	<b><u><u>\$ 19,671,036</u></u></b>	<b><u><u>\$ 19,882,214</u></u></b>

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) and Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Child Development Services	\$ 10,063,701	\$ -	\$ 10,118,993	\$ -	\$ 55,292
Totals	<u>\$ 10,063,701</u>	<u>\$ -</u>	<u>\$ 10,118,993</u>	<u>\$ -</u>	<u>55,292</u>
General Revenues:					
Interest and investment earnings					<u>310,464</u>
Total General Revenues					<u>310,464</u>
Change in Net Position					365,756
Net Position Beginning of Year					<u>17,375,065</u>
Net Position End of Year					<u>\$ 17,740,821</u>

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) and Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	
				Governmental Activities		
Child Development Services	\$ 10,362,607	\$ -	\$ 9,555,348	\$ -	\$ (807,259)	
Totals	\$ 10,362,607	\$ -	\$ 9,555,348	\$ -	(807,259)	
General Revenues:						
					Interest and investment earnings	372,249
					Total General Revenues	372,249
					Change in Net Position	(435,010)
					Net Position Beginning of Year	17,810,075
					Net Position End of Year	\$ 17,375,065

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
BALANCE SHEETS  
GOVERNMENTAL GENERAL FUND  
JUNE 30, 2020 AND 2019**

<b><u>ASSETS</u></b>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 17,873,459	\$ 17,299,973
Accounts receivable	1,615,551	2,411,361
Interest receivable	101,803	105,136
Other receivable	65,130	48,269
Prepaid expenses	<u>7,383</u>	<u>5,491</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 19,663,326</u></b>	<b><u>\$ 19,870,230</u></b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u></b>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,733,793	\$ 2,304,253
Accrued payroll	<u>31,783</u>	<u>79,031</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,765,576</u></b>	<b><u>2,383,284</u></b>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>-</u>	<u>1,278,200</u>
FUND BALANCE		
Nonspendable	7,383	5,491
Committed	8,417,789	9,538,826
Unassigned	<u>9,472,578</u>	<u>6,664,429</u>
<b>TOTAL FUND BALANCE</b>	<b><u>17,897,750</u></b>	<b><u>16,208,746</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b><u>\$ 19,663,326</u></b>	<b><u>\$ 19,870,230</u></b>

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
RECONCILIATION OF GOVERNMENTAL GENERAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

**Total Fund Balance - Governmental Fund** \$ 17,897,750

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not reported as assets in the governmental fund. 7,710

Compensated absences liability is not reported in the governmental fund. (164,639)

**Total Net Position - Governmental Activities** \$ 17,740,821

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
RECONCILIATION OF GOVERNMENTAL GENERAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

<b>Total Fund Balance - Governmental Fund</b>	\$ 16,208,746
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used for governmental activities are not reported as assets in the governmental fund.	11,984
As the focus of the governmental fund is on short-term financing, some assets will not be available to pay for current expenditures. those assets (receivables) are offset by unavailable revenue in the governmental fund.	1,278,200
Compensated absences liability is not reported in the governmental fund.	<u>(123,865)</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 17,375,065</u></u>

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL GENERAL FUND  
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Aid from governmental agencies	\$ 10,186,676	\$ 7,229,714
Other state income	862,715	955,005
Grant awards and other income	347,802	92,429
	<u>11,397,193</u>	<u>8,277,148</u>
Operating Expenditures		
Payroll	1,112,073	1,146,251
Employee benefits	270,117	284,850
Office expense	71,093	66,106
Insurance	32,537	29,861
Professional and specialized services	368,766	283,775
Administrative cost (County of Kern)	12,218	10,103
Publications and legal notice	3,105	7,897
Contribution to agents	8,002,158	8,389,950
Rental and lease	90,589	89,803
Travel and transportation	15,247	24,297
Utilities	18,344	17,933
Telephone	11,775	11,121
Miscellaneous	10,631	9,058
	<u>10,018,653</u>	<u>10,371,005</u>
Operating Loss	<u>1,378,540</u>	<u>(2,093,857)</u>
Nonoperating Revenues		
Interest income	310,464	372,249
	<u>310,464</u>	<u>372,249</u>
Net Change in Fund Balance	1,689,004	(1,721,608)
Fund Balance, Beginning of Year	<u>16,208,746</u>	<u>17,930,354</u>
Fund Balance, End of Year	<u>\$ 17,897,750</u>	<u>\$ 16,208,746</u>

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
RECONCILIATION OF THE CHANGE IN FUND BALANCE  
TO THE CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Net Change in Fund Balance - Governmental General Fund** \$ 1,689,004

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay (\$0) exceeded depreciation expense (\$4,274) in the period: (4,274)

Revenues in the governmental fund 's statement that were reported as unavailable revenue in the prior year since they did not provide current financial resources, which were recognized in the statement of activities las year. (1,278,200)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This year amounts earned exceeded the vacation used by: (40,774)

**Total Change in Net Position - Governmental Activities** \$ 365,756

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
RECONCILIATION OF THE CHANGE IN FUND BALANCE  
TO THE CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Net Change in Fund Balance - Governmental General Fund** \$ (1,721,608)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay (\$0) exceeded depreciation expense (\$4,274) in the period: (4,274)

Revenues in the governmental fund 's statement that do not provide current financial resources are not reported as revenue in the fund. 1,278,200

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This year amounts earned exceeded the vacation used by: 12,672

**Total Change in Net Position - Governmental Activities** \$ (435,010)

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP BASIS)  
GOVERNMENTAL GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
Operating Revenues				
Aid from governmental agencies	\$ 7,800,000	\$ 7,800,000	\$ 10,186,676	\$ 2,386,676
Other state income	686,754	686,754	862,715	175,961
Grant awards and other income	361,420	361,420	347,802	(13,618)
Total Operating Revenues	<u>8,848,174</u>	<u>8,848,174</u>	<u>11,397,193</u>	<u>2,549,019</u>
Operating Expenditures				
Payroll	1,380,000	1,380,000	1,112,073	267,927
Employee benefits	356,000	356,000	270,117	85,883
Office expense	71,000	85,000	71,093	13,907
Insurance	37,000	37,000	32,537	4,463
Professional and specialized services	378,000	457,500	368,766	88,734
Administrative cost (County of Kern)	35,000	32,000	12,218	19,782
Publications and legal notice	19,000	11,000	3,105	7,895
Contribution to agents	9,538,826	9,454,326	8,002,158	1,452,168
Rental and lease	94,000	94,000	90,589	3,411
Travel and transportation	27,000	28,000	15,247	12,753
Utilities	23,000	23,000	18,344	4,656
Telephone	13,000	13,000	11,775	1,225
Miscellaneous	16,000	17,000	10,631	6,369
Total Operating Expenditures	<u>11,987,826</u>	<u>11,987,826</u>	<u>10,018,653</u>	<u>1,969,173</u>
Operating Loss	<u>(3,139,652)</u>	<u>(3,139,652)</u>	<u>1,378,540</u>	<u>4,518,192</u>
Nonoperating Revenues				
Interest income	200,000	200,000	310,464	110,464
Total Nonoperating Revenues	<u>200,000</u>	<u>200,000</u>	<u>310,464</u>	<u>110,464</u>
Net Change in Fund Balance	(2,939,652)	(2,939,652)	1,689,004	4,628,656
Fund Balance, Beginning of Year	<u>16,208,746</u>	<u>16,208,746</u>	<u>16,208,746</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 13,269,094</u>	<u>\$ 13,269,094</u>	<u>\$ 17,897,750</u>	<u>\$ 4,628,656</u>

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP BASIS)  
GOVERNMENTAL GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Operating Revenues</b>				
Aid from governmental agencies	\$ 8,629,000	\$ 8,629,000	\$ 7,229,714	\$ (1,399,286)
Other state income	869,000	941,053	955,005	13,952
Grant awards and other income	30,000	42,648	92,429	49,781
<b>Total Operating Revenues</b>	<u>9,528,000</u>	<u>9,612,701</u>	<u>8,277,148</u>	<u>(1,335,553)</u>
<b>Operating Expenditures</b>				
Payroll	1,250,000	1,250,000	1,146,251	103,749
Employee benefits	321,000	321,000	284,850	36,150
Office expense	75,000	89,000	66,106	22,894
Insurance	35,000	35,000	29,861	5,139
Professional and specialized services	377,000	368,500	283,775	84,725
Administrative cost (County of Kern)	22,000	22,000	10,103	11,897
Publications and legal notice	21,000	13,500	7,897	5,603
Contribution to agents	9,365,567	9,437,620	8,389,950	1,047,670
Rental and lease	94,000	94,000	89,803	4,197
Travel and transportation	26,000	28,000	24,297	3,703
Utilities	23,000	23,000	17,933	5,067
Telephone	14,000	14,000	11,121	2,879
Miscellaneous	14,000	14,000	9,058	4,942
<b>Total Operating Expenditures</b>	<u>11,637,567</u>	<u>11,709,620</u>	<u>10,371,005</u>	<u>1,338,615</u>
<b>Operating Loss</b>	<u>(2,109,567)</u>	<u>(2,096,919)</u>	<u>(2,093,857)</u>	<u>3,062</u>
<b>Nonoperating Revenues</b>				
Interest income	150,000	150,000	372,249	222,249
<b>Total Nonoperating Revenues</b>	<u>150,000</u>	<u>150,000</u>	<u>372,249</u>	<u>222,249</u>
<b>Net Change in Fund Balance</b>	<u>(1,959,567)</u>	<u>(1,946,919)</u>	<u>(1,721,608)</u>	<u>225,311</u>
<b>Fund Balance, Beginning of Year</b>	<u>17,930,354</u>	<u>17,930,354</u>	<u>17,930,354</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 15,970,787</u>	<u>\$ 15,983,435</u>	<u>\$ 16,208,746</u>	<u>\$ 225,311</u>

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

**KERN COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

In November of 1998, California voters approved Proposition 10, which levied a 50-cent tax on each pack of cigarettes sold. Revenues generated from the tobacco tax are used to fund local health, child care, and education programs that promote early childhood development. These programs target children during their first five years of life and focus on anti-tobacco education programs.

On December 15, 1998, the Kern County Board of Supervisors, in accordance with Proposition 10, passed and adopted an urgency ordinance, which created the Kern County Children and Families Commission (the Commission), also doing business as First 5 Kern County, established the membership of the Commission, and authorized the establishment of the Kern County Children and Families Trust Fund.

The Commission has been determined to be a blended component unit of the County of Kern (the County) under accounting principles generally accepted in the United States of America (GAAP). As such, the results of its operations are also included in the County's Comprehensive Annual Financial Report.

B. Basis of Presentation, Basis of Accounting, and Measurement Focus

In accordance with the GASB Statement No. 34, *Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the financial statements consisted of the following:

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

**1. Government-Wide Financial Statements**

The government-wide financial statements consist of the statement of net position and the statement of activities. The government-wide financial statements distinguish programs of the Commission that are principally supported by intergovernmental revenues (governmental activities) from programs that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Commission include Early Child Care and Education, Parent Education and Support Services, Health and Wellness, and Integration of Services and Administration.

The statement of net position and the statement of activities display information about the Commission as a whole. The statement of net position presents the financial condition of the governmental activities of the Commission at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, not classified as program revenues, are presented as general revenues of the Commission with certain limited exceptions.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **B. Basis of Presentation, Basis of Accounting, and Measurement Focus** (Continued)

#### **1. Government-Wide Financial Statements** (Continued)

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements are reported using the economic financial resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include Proposition 10 allocations, grants and donations. Revenues from Proposition 10 allocations are recognized when all eligibility requirements are met, which coincides with when the State apportions Proposition 10 tax revenues from the Commission. Revenues from grants and similar items are recognized as revenue as soon as all eligibility requirements have been satisfied.

#### **2. Fund Financial Statements**

The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Commission's governmental fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Therefore, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Proposition 10 apportionments, and grant revenues are recognized when their receipt occurs within 60 days after the end of the accounting period so as to be both measurable and available. Grants are recognized as revenue as soon as all eligibility requirements have been satisfied. Expenditures that meet the accrual criteria are recorded when the related fund liability is incurred, except for certain liabilities such as compensated absences, which are recognized when payment is due. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for the governmental fund.

### **C. General Fund**

The General Fund is the general operating fund of the Commission and accounts for all revenues and expenditures of the Commission.

### **D. Cash**

The Commission maintains up to \$2,500,000 at Valley Republic Bank (VRB) to process accounts payable and payroll. This amount is replenished as needed from amounts invested by the County. The Federal Deposit Insurance Corporation (FDIC) insures cash balances held at VRB up to \$250,000. Additionally, the principal amount of \$2,500,000 is collateralized at 110% of the deposit.

VRB participates in the local agency security program allowing VRB to accept public funds. As required by the California Government Code, VRB pledges collateral for the portion of public funds on deposit that exceeds the FDIC insurance amount. The market value of the securities VRB pledges has a market value of at least 110% of the secured deposits. This provides protection for the uninsured portion of these deposits.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### D. Cash (Continued)

The Commission maintains substantially all of its cash with the Kern County Treasurer-Tax Collector. This is an interest bearing account. The County pools these funds with those of other agencies in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value.

### E. Accounts Receivable

The Commission only accrues revenues it deems collectible within one year of the balance sheet date; accordingly, no allowance for doubtful accounts is required.

### F. Capital Assets

The Commission's policy is to capitalize purchases of property and equipment above \$5,000. Purchases of furniture and equipment under \$5,000 are expensed as incurred. The Commission maintains an inventory list to track vehicles and equipment purchased with a value of less than \$5,000. Depreciation expense is calculated using the straight-line method and accumulated depreciation at year-end is included in capital assets. The Commission depreciates equipment over 5 years.

### G. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities by the Commission. The current and noncurrent portions of the liabilities are not reported in the Commission's General Fund. The entire compensated absences liability when incurred is reported on the government-wide financial statements.

### H. Net Position

Net position represents the residual interest in the Commission's assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund balance section on the statement of net position was combined to report total net position and present it in three broad components: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Commission reported \$8,417,789 and \$9,538,826 of restricted net position for the fiscal years ended June 30, 2020 and 2019, respectively, for funded programs, new program funding, and other events.

### I. Fund Balance

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Commission is bound to honor constraints on how specific amounts can be spent.

1. *Nonspendable fund balance*—amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. The Commission's General Fund nonspendable balance represents prepaid expenditures.
2. *Restricted fund balance*—amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. *Committed fund balance*—amounts that can only be used for specific purposes determined by formal action of the Commission's highest level of decision-making authority (the Commissioners) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. Fund Balance (Continued)

The aggregate balance of the Commission's General Fund committed balance was \$8,417,789 and \$9,538,826 as of June 30, 2020 and 2019, respectively. The details of these amounts are shown below:

	<u>2020</u>	<u>2019</u>
Funded Programs	\$ 8,050,789	\$ 9,171,826
Community Events and Program Outreach	37,000	37,000
Program Support	30,000	30,000
New Program Funding	<u>300,000</u>	<u>300,000</u>
Total	<u>\$ 8,417,789</u>	<u>\$ 9,538,826</u>

4. *Assigned fund balance*—amounts that are constrained by the Commission's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, by a governing body, or an official designated for that purpose.
5. *Unassigned fund balance*—the residual classification for the Commission's General Fund that includes amounts not contained in the other classifications.

**Stabilization Arrangements**

In June 2017, the Commissioners approved Action Item Number 9. Under the formal action, a portion of the fund balance of the General Fund is set aside for emergency situations, such as revenue shortages or budgetary imbalances. The Commission's policy is to maintain a \$3 million reserve in its five-year financial plan to provide for contingencies such as:

- Cushion against unanticipated revenue losses
- Increase support for successful programs
- Fund new programs or initiatives
- Use as matching funds
- Honor contractual obligations during closeout in the event of a repeal of Proposition 10

The Commissioners establish, modify, or rescind fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

The Commission's policy is to first apply committed resources and then assigned resources when an expenditure is incurred for purposes for which any amounts in any of these unrestricted fund balance classifications could be used.

J. Budgeting Procedures

Each year management of the Commission prepares a proposed budget that is presented to the Commissioners. The annual budget is legally enacted through adoption of the budget by the Commissioners. It is then entered in the Kern County Auditor-Controller's Financial Management System.

Budgets are prepared on the modified accrual basis of accounting. Operating budgets that have not been encumbered lapse at the end of the fiscal year.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Proposition 10 Allocation

The Children and Families Trust Fund (the Fund) was created by the California Children and Families Act of 1998 (Proposition 10). Effective January 1, 1999, Section 30131.2 of the Revenue and Taxation Code authorized the Fund to Collect 50 cents for each cigarette pack and distributed an additional surtax for other tobacco products. The State Board of Equalization collects and deposits this cigarette tax and the additional surtax into the Fund. These monies are allocated and appropriated 20% to the State Commission and 80% to the County Commissions. Each County Commission receives a portion of the monies equal to the percentage of the number of live births recorded in California for the same period. The Commission is economically dependent on these funds.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. New Accounting Pronouncements Implemented

The Commission implemented the following Governmental Accounting Standards Board (GASB) Statements in the current financial statements.

Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*

This statement provides temporary relief to governments and stakeholders in light of the COVID-19 pandemic. The requirements of this statement are effective immediately. The effective dates for GASB Statements Nos. 84, 88, 89, 90, 91, 92, and 93 were postponed by one year for the Commission. The effective date for GASB Statement No. 87 was postponed by 18 months for the Commission.

**NOTE 2 – CASH**

Cash as of June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash in the Banks	\$ 1,649,960	\$ 2,006,038
Cash in Kern County Investment Pool	<u>16,223,499</u>	<u>15,293,935</u>
Total Cash and Cash Equivalents	<u>\$ 17,873,459</u>	<u>\$ 17,299,973</u>
Total Interest Income	<u>\$ 310,464</u>	<u>\$ 357,950</u>

**NOTE 2 – CASH** (Continued)

Cash on Hand and in Banks

**Investments Authorized by the California Government Code and the Commission’s Investment Policy**

The table below identifies the **investment types** that are authorized for the Commission by the California Government Code (or the Commission’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Commission’s investment policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers’ Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Commission’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Commission’s investments by maturity:

2020		<u>Remaining Maturity</u>			
<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool	<u>\$ 16,223,499</u>	<u>\$ 16,223,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2019		<u>Remaining Maturity</u>			
<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool	<u>\$ 15,293,935</u>	<u>\$ 15,293,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 2 – CASH** (Continued)Cash on Hand and in Banks (Continued)

2020		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End	
Investment Type	Amount			AAA	Not Rated
County Investment Pool	<u>\$ 16,223,499</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ 16,223,499</u>
2019		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End	
Investment Type	Amount			AAA	Not Rated
County Investment Pool	<u>\$ 15,293,935</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,293,935</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Commission’s investment policy, and the actual rating as of year-end for each investment type. The column marked “exempt from disclosure” identifies those investment types for which GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, does not require disclosure as to credit risk:

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the Commission’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$1,626,442 of the Commission’s deposits with financial institutions were in excess of FDIC limits and were held in collateralized accounts as of June 30, 2020.

**Investment in County Investment Pool**

The Commission is a participant in the County Investment Pool. The fair value of the Commission’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission’s pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis. Interest earned on pooled investments is credited to the Commission based on the Commission’s average daily deposit balance during the allocation period with all remaining interest deposited with the County. The Commission’s investments and policies are overseen by the Kern County Treasury Oversight Committee.

**NOTE 2 – CASH** (Continued)Cash on Hand and in Banks (Continued)**Investment in County Investment Pool** (Continued)

Disclosures in accordance with GASB Statements, including interest rate risk, credit risk, concentration of credit risk, as well as custodial credit risk disclosures for the County's Investment Pool, are included in the County's Comprehensive Annual Financial Report (CAFR). The County's CAFR can be obtained either from the County's web-site at [www.co.kern.ca.us](http://www.co.kern.ca.us) or from the County Auditor-Controller's Office located at 1115 Truxtun Avenue, 2<sup>nd</sup> Floor, Bakersfield, California 93301.

**Fair Value Measurements**

GASB Statement No. 72 improved the measuring of fair value for financial reporting purposes and enhanced disclosures about the fair value hierarchy as established by accounting principles generally accepted in the United States of America. The Commission categorizes its fair value measurements within the fair value hierarchy. 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. The Commission has the following recurring fair value measurements as of June 30, 2020:

- County Investment Pool is valued using significant other observable inputs (Level 2).

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balances June 30, 2019	Additions	Deletions	Balances June 30, 2020
Capital assets, being depreciated:				
Vehicles	\$ 25,228	\$ -	\$ -	\$ 25,228
Equipment	42,382	-	-	42,382
Total assets being depreciated	<u>67,610</u>	<u>-</u>	<u>-</u>	<u>67,610</u>
Less accumulated depreciation for:				
Vehicles	(25,228)	-	-	(25,228)
Equipment	(30,398)	(4,274)	-	(34,672)
Total accumulated depreciation	<u>(55,626)</u>	<u>(4,274)</u>	<u>-</u>	<u>(59,900)</u>
Total capital assets, net	<u>\$ 11,984</u>	<u>\$ (4,274)</u>	<u>\$ -</u>	<u>\$ 7,710</u>

**NOTE 3 – CAPITAL ASSETS** (Continued)

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balances June 30, 2018	Additions	Deletions	Balances June 30, 2019
Capital assets, being depreciated:				
Vehicles	\$ 25,228	\$ -	\$ -	\$ 25,228
Equipment	42,382	-	-	42,382
Total assets being depreciated	<u>67,610</u>	<u>-</u>	<u>-</u>	<u>67,610</u>
Less accumulated depreciation for:				
Vehicles	(25,228)	-	-	(25,228)
Equipment	<u>(26,124)</u>	<u>(4,274)</u>	<u>-</u>	<u>(30,398)</u>
Total accumulated depreciation	<u>(51,352)</u>	<u>(4,274)</u>	<u>-</u>	<u>(55,626)</u>
Total capital assets, net	<u>\$ 16,258</u>	<u>\$ (4,274)</u>	<u>\$ -</u>	<u>\$ 11,984</u>

Depreciation expense for the fiscal years ended June 30, 2020 and 2019, was \$4,274 and \$4,274, respectively.

**NOTE 4 – CHANGES IN COMPENSATED ABSENCES**

A schedule of changes in long-term debt for the fiscal years ended June 30, 2020 and 2019, was as follows:

	June 30, 2019	Additions	Deletions	June 30, 2020	Due Within One Year
Compensated Absences, Net	<u>\$ 123,865</u>	<u>\$ 103,538</u>	<u>\$ (62,764)</u>	<u>\$ 164,639</u>	<u>\$ 89,797</u>

	June 30, 2018	Additions	Deletions	June 30, 2019	Due Within One Year
Compensated Absences, Net	<u>\$ 136,537</u>	<u>\$ 104,804</u>	<u>\$ (117,476)</u>	<u>\$ 123,865</u>	<u>\$ 108,957</u>

**NOTE 5 – OPERATING LEASE**

The Commission leases approximately 5,078 gross square feet consisting of the building, parking area, and landscaping located at 2724 L Street, Bakersfield, California. The three year lease began July 1, 2018, and ends on June 30, 2021. Required payments on the lease are \$7,166 per month.

Rent expense under this agreement was \$85,992 for both of the fiscal years ended June 30, 2020 and 2019. Future minimum lease payments are as follows:

Year Ending June 30,	
2021	<u>\$ 85,992</u>
Total	<u>\$ 85,992</u>

#### **NOTE 6 – CONTRACTED PROGRAMS**

The Commission has agreements with various contractors for the child development program and the term of these contracts end June 30, 2020. The Commission is obligated to reimburse the contractors for all necessary and reasonable expenses incurred in accordance with the project budget for providing the services on behalf of the Commission. The remaining balance of the contracts as of June 30, 2020 and 2019, was \$0 and \$9,538,826, respectively.

Beginning July 1, 2020, the Commission entered into a new five-year funding cycle and the contracted obligation is \$37,544,000. The new funding cycle will end on June 30, 2025.

#### **NOTE 7 – DEFERRED COMPENSATION 457 PLAN**

On February 15, 2000, the Commission established a deferred compensation plan administered by California Public Employees' Retirement System. The plan is a voluntary savings program that allows employees to defer any amount, subject to annual limits, from each paycheck on a pre-tax basis. The plan covers substantially all of its employees. The Commission contributes up to 15% of gross pay per year. Contributions for the fiscal years ended June 30, 2020 and 2019, were \$113,570 and \$118,673, respectively. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Amounts accumulated under the plan have been invested in several investment options at the direction of the employees.

#### **NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Commission contracts with various service providers for data management services and for evaluation and reporting services. The Commission entered into an agreement with Persimmony International, Inc., for data management services from April 1, 2015, to June 30, 2020, for \$480,816; the balance on the contract at June 30, 2020, is \$0.

Beginning July 1, 2020, the Commission entered into a new five-year agreement with Persimmony International, Inc. for \$475,623. The new agreement will end on June 30, 2025

In addition to the above, the Commission had outstanding encumbrances of \$1,672,898 and \$2,283,412 at June 30, 2020 and 2019, respectively.

#### **NOTE 9 – PROGRAM EVALUATION**

The Commission spent \$404,536 and \$385,295 on program evaluation for the fiscal years ended June 30, 2020 and 2019, respectively.

#### **NOTE 10 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 25, 2020, which is the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The Governor of California issued a Shelter at Home order effective March 19, 2020, requiring non-essential businesses to temporarily close to the public; and in response, the County of Kern followed the Governor's mandate. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements.

## **NOTE 11 – FUTURE ACCOUNTING PRONOUNCEMENTS**

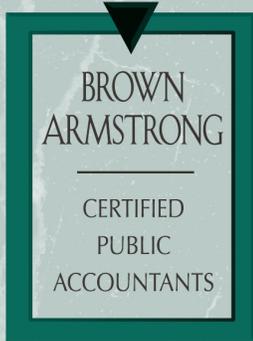
GASB Statements listed below will be implemented in future financial statements.

Statement No. 84	<i>Fiduciary Activities</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2019. The Commission believes this statement will not apply.
Statement No. 87	<i>Leases</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2021. The Commission has not determined the impact, if any, upon implementation of this statement.
Statement No. 89	<i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i>	The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Commission has not determined the impact, if any, upon implementation of this statement.
Statement No. 90	<i>Majority Equity Interest</i>	An Amendment of GASB Statement No. 14 and No. 61. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Commission has not determined the impact, if any, upon implementation of this statement.
Statement No. 91	<i>Conduit Debt Obligations</i>	The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The Commission has not fully judged the impact of implementation of this standard on the financial statements.
Statement No. 92	<i>Omnibus 2020</i>	The requirements of this statement related to intra-entity transfers of assets and those related to the applicability of GASB Statements No. 73 and No. 74, application of GASB Statement No. 84 to post employment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities, and the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for reporting periods beginning after June 15, 2021. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**NOTE 11 – FUTURE ACCOUNTING PRONOUNCEMENTS** (Continued)

Statement No. 93	<i>Replacement of Interbank Offered Rates</i>	The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Commission has not fully judged the impact of implementation of this standard on the financial statements.
Statement No. 94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Commission has not fully judged the impact of implementation of this standard on the financial statements.
Statement No. 96	<i>Subscription-Based Information Technology Arrangements</i>	The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Commission has not fully judged the impact of implementation of this standard on the financial statements.
Statement No. 97	<i>Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment to GASB Statement No. 14 and 84 and a supersession of GASB Statement No. 32</i>	The requirements in paragraph 4 as it applies to defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, and paragraph 5 are effective immediately. All other requirements are applicable for reporting periods beginning after June 15, 2020. The Commission has not fully judged the impact of this implementation of this standard on the financial statements.

**COMPLIANCE SECTION**



# BROWN ARMSTRONG

*Certified Public Accountants*

## **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**

To the Commissioners  
Kern County Children and Families Commission  
Bakersfield, California

We have audited, 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, the financial statements of the governmental activities and the major fund of the Kern County Children and Families Commission (the Commission), a component unit of Kern County, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated September 25, 2020.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## Compliance and Other Matters

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

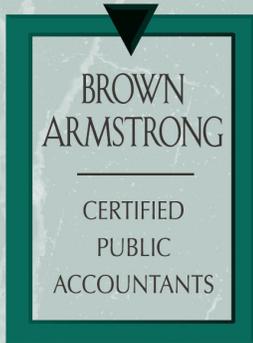
## Purpose of this Report

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
September 25, 2020



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Commissioners  
Kern County Children and Families Commission  
Bakersfield, California

### Compliance

We have audited the Kern County Children and Families Commission's (the Commission), a component unit of Kern County, 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 fiscal year ended June 30, 2020.

### Management's Responsibility

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

### Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, 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 fiscal year ended June 30, 2020.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
September 25, 2020