

**AUDIT REPORT
OF
IMPERIAL COUNTY
CHILDREN AND FAMILIES FIRST COMMISSION
(A Legal Public Entity Separate from the
County of Imperial, California)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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Board of Commissioners
Imperial County Children and Families First Commission
El Centro, California 92243

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of the General Fund of the Imperial County Children & Families First Commission (Commission), a legal public entity separate from the County of Imperial, California, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my 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 Imperial County Children & Families First Commission as of June 30, 2017, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

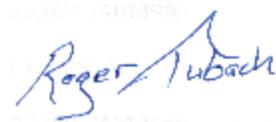
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 through 8 and 19 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 30, 2017, on my consideration of the Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 *Governmental Auditing Standards* in considering the Imperial County Children & Families First Commission's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Roger Tubach". The signature is written in a cursive style with a large, sweeping initial "R".

EL Centro, California
October 30, 2017

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2017**

In November 1998, California voters passed a statewide ballot initiative to add a surtax to tobacco products (Proposition 10). The monies collected are to be used to fund programs that promote early childhood development, from prenatal to age five. The intent is for all California children to be healthy, to live in a healthy and supportive environment, and to enter school ready to learn.

The discussion and analysis of the financial performance of the Imperial County Children & Families First Commission (the Commission) provides an overview of the Commission's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. The users of these financial statements should read this discussion.

FINANCIAL HIGHLIGHTS

- The Commission received \$2,198,654 from the State of California from revenues collected under the California Children and Families Act (Proposition 10).
- During the current fiscal year, the Commission disbursed \$1,904,405 in grants to various community programs.
- The assets of the Commission exceeded its liabilities at the close of the 2016-2017 fiscal year by \$5,198,063 (*Net Position*). Compared to the close of the 2015-2016 fiscal year in which *net position* was \$5,327,479.
- The Commission's net position from activities decreased by \$129,416 during the current fiscal year. In comparison with the 2015-2016 fiscal year net position from activities decreased by \$113,640.
- At the close of the 2016-2017 fiscal year *net position* included \$631,213 of encumbrances. In comparison with the 2015-2016 fiscal year when encumbrances were \$632,702.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Commission's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about the activities during the reporting period.

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or declining.

The Statement of Activities describes changes to the Commission's net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of when cash is received or paid. Thus, some revenues and expenses are reported in this statement that will only result in cash inflows and outflows in future fiscal years.

The government-wide financial statements are presented on pages 9 and 10 of this report.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2017**

2. 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 Imperial County Children and Families Commission like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Commission maintains one governmental fund, the general fund. The Commission adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

The governmental fund financial statements are presented on pages 11 and 12 of this report.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes to the financial statements are presented on pages 13 through 18 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commission's finances. The Required Supplementary Information, which consists of the "*budgetary comparison schedule*" can be found on page 19 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Commission's assets exceeded liabilities by \$5,198,063 at the close of the current fiscal year. In the prior period, assets exceeded liabilities by \$5,327,479. See *Imperial County Children and Families First Commission's Net Position* page 7.

The Commission's total net position is comprised of \$2,239,727 *Committed Funds*, and \$2,681,213 *Assigned Funds*, and \$277,123 *Unassigned Funds*. A portion of the Commission's Assigned Funds, \$631,213 represent encumbrances. The Commission uses encumbrances to keep track of unused budgets, so prior year expenditures/contracts will be properly charged to these budgeted amounts. The balance of the Commission's Assigned Funds of \$2,050,000 is designated for Local Initiatives and Program Sustainability.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2017**

The following is a summary of the Commission's Statement of Net Position comparing balances at June 30, 2017 and June 30, 2016.

Imperial County Children and Families First Commission's Net Position

	<u>FY 2016/2017</u>	<u>FY 2015/2016</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Current Assets and Other Assets	\$ 5,209,039	\$ 5,350,782	\$ (141,743)	(2.6)%
Total Assets	<u>5,209,039</u>	<u>5,350,782</u>	<u>(141,743)</u>	<u>(2.6)%</u>
Current and Other Liabilities	\$ 10,976	\$ 23,303	\$ (12,327)	(52.9)%
Total Liabilities	<u>10,976</u>	<u>23,303</u>	<u>(12,327)</u>	<u>(52.9)%</u>
Net Position				
Unrestricted	<u>5,198,063</u>	<u>5,327,479</u>	<u>(129,416)</u>	<u>(2.4)%</u>
Total Net Position	<u>\$ 5,209,039</u>	<u>\$ 5,350,782</u>	<u>\$ (141,743)</u>	<u>(2.6)%</u>

The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Imperial County Children and Families First Commission's Statement of Activities

	<u>FY 2016/2017</u>	<u>FY 2015/2016</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Revenues				
Program Revenues				
Proposition 10 apportionment	\$ 2,198,654	\$ 2,274,036	\$ (75,382)	(3.3)%
Total Program Revenues	<u>2,198,654</u>	<u>2,274,036</u>	<u>(75,382)</u>	<u>(3.3)%</u>
General revenues				
Interest	33,025	31,799	1,226	3.9 %
Refunds and reimbursements	55,358	1,911	53,447	2,796.8 %
Total General Revenues	<u>88,383</u>	<u>33,710</u>	<u>54,673</u>	<u>162.2 %</u>
Total Revenues	<u>2,287,037</u>	<u>2,307,746</u>	<u>(20,709)</u>	<u>(0.9)%</u>
Expenses				
Professional and special services	2,166,740	2,244,879	(78,139)	(3.5)%
Service and supplies	249,713	176,507	73,206	41.5 %
Total expenses	<u>2,416,453</u>	<u>2,421,386</u>	<u>(4,933)</u>	<u>(0.2)%</u>
Change in net position	(129,416)	(113,640)	(15,776)	13.9 %
Net Position, Beginning of year	<u>5,327,479</u>	<u>5,441,119</u>	<u>(113,640)</u>	<u>(2.1)%</u>
Net Position, End of year	<u>\$ 5,198,063</u>	<u>\$ 5,327,479</u>	<u>\$ (129,416)</u>	<u>(2.4)%</u>

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2017**

BUDGETARY ANALYSIS

Budget to actual analysis provides the reader with useful information regarding the Commission's use of budgets and a sense of what management was attempting to achieve during the year. Budget to actual comparisons can be found on page 19.

General Fund Budgetary Highlights

Final Revenue Budget vs. Actual Revenues

The following information provides a summary of the primary factors that caused the variances in the final budgeted revenues compared to actual revenues:

- Proposition 10 Apportionment revenue is more than the budgeted amount by \$149,949
- Interest revenue was not budgeted, therefore, is more than the budgeted amount by \$33,025
- Refunds and Reimbursement revenue was not budgeted, therefore, is more than the budgeted amount by \$55,358
- There is a favorable increase of Total Revenues above the budgeted amount by \$238,332

Final Expenditure Budget vs. Actual Expenditures

The following information provides a summary of the primary factors that caused the variance in the final budgeted expenditures compared to actual expenditures:

- Professional and Special Services expenses were less than the budgeted amount by \$560,410
- Services and Supplies were more than the budgeted amount by \$112,949
- There is a favorable decrease of Total Expenditures below the budgeted amount by \$447,461

Overall Final Budget vs Revenues and Expenditures

- Overall there is a favorable increase in the actual Revenues less Expenditures compared to the Final Budget of \$685,793. This is a result of a favorable increase in total revenues above the budgeted amount by \$238,332 and the favorable decrease in total expenditures below the budgeted amount by \$447,461.

Next Years Budget

The Commission has adopted its budget of \$2,777,511 for 2017-2018 fiscal year. The Commission anticipates funding to be approximately \$1,500,660 for major grant projects, \$310,992 for First 5 Impact, \$86,906 for First 5 Impact HUB/CDE, \$171,450 for the School Readiness Initiative, \$60,000 for the PACES Early Care Stipend Program, \$15,000 for Community Outreach Support, \$15,000 for the Professional Development Grant and \$79,719 Community Development Mini-Grants. Evaluation and office administration costs are preliminarily budgeted at \$537,784.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, you may reach Julio Rodriguez at (760) 482-2991.

IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets	
Cash and Investments	\$ 4,992,571
Due from the State - Proposition 10	207,135
Accounts Receivable	--
Interest Receivable	9,333
Total Assets	\$ 5,209,039
Liabilities	
Accounts Payable and Accrued Payroll Expenses	\$ 10,976
Total Liabilities	10,976
Net Position	
Unrestricted	5,198,063
Total Net Position	\$ 5,209,039

See accompanying Notes to the Financial Statements

IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Governmental Activities			
Child Development	\$ 2,416,453	\$ 2,198,654	\$ (217,799)
Total Governmental Activities	<u>\$ 2,416,453</u>	<u>\$ 2,198,654</u>	<u>(217,799)</u>
General Revenues:			
			33,025
			<u>55,358</u>
			<u>88,383</u>
			(129,416)
			<u>5,327,479</u>
			<u>\$ 5,198,063</u>

See accompanying Notes to the Financial Statements

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017**

	General Fund
Assets	
Assets	
Cash and Investments	\$ 4,992,571
Due from the State - Proposition 10	207,135
Accounts Receivable	--
Interest Receivable	9,333
Total Assets	\$ 5,209,039
Liabilities and Fund Balance	
Liabilities	
Accounts Payable and Accrued Payroll Expenses	\$ 10,976
Total Liabilities	10,976
Fund Balance	
Committed Funds	2,239,727
Assigned Funds	2,681,213
Unassigned Funds	277,123
Total Fund Balance	5,198,063
Total Liabilities and Fund Balance	\$ 5,209,039

See accompanying Notes to the Financial Statements

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General Fund
Revenues	
Proposition 10 apportionment	\$ 2,198,654
Interest	33,025
Refunds and Reimbursements	55,358
Total Revenues	2,287,037
Expenditures	
Professional and special services	2,166,740
Services and supplies	249,713
Total Expenditures	2,416,453
Net Change in Fund Balance	(129,416)
Fund Balance - Beginning of Year	5,327,479
Fund Balance - End of year	\$ 5,198,063

See accompanying Notes to the Financial Statements

IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Imperial County Children and Families First Commission (the Commission) was established by the Imperial County Board of Supervisors pursuant to Proposition 10, the California Children and Families First Act of 1998, through adoption of Ordinance Number 1213 on December 8, 1998, and amended by Ordinance No. 1301 on September 3, 1999. The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage through five years of age. The Commission is funded by taxes levied by the State of California on tobacco products. The Commission consists of nine voting members.

A Legal Public Entity Separate From the County

On June 18, 2013 the Board of Supervisors of the County of Imperial approved ordinance 1489 which supplemented ordinances 1213 and 1301 with two changes. The first change clarified the status of the Commission to be a legal public entity separate from the County. The second Change acknowledged the expanded audit guidelines established by the Health & Safety Code section 130151 and require that the audits and reports provided under these guidelines shall be transmitted to the Imperial County Auditor-Controller.

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's proprietary activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations.

Cash and Investments

The Commission's cash is deposited with the Imperial County Treasurer and in a bank account separate from the Imperial County Treasurer. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, CA.

The portion of the County treasury attributed to the Commission's cash was \$4,829,988 as of June 30, 2017. The fair value of the Commission's portion of this pool as of June 30, 2017 was \$4,829,988. The portion of the separate bank account was \$162,583 as of June 30, 2017 with a fair market value of \$162,583.

The Commission benefits from the Treasurer's practice of pooling cash and investing certain funds. Interest earned on these pooled investments is allocated and apportioned quarterly to the Commission, based on the average daily balance for each quarter.

Due From State - Proposition 10

Due from State Proposition 10 represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues. The amount due at June 30, 2017, is \$207,135.

IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$7,500 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of the asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable assets are: Furniture and Equipment, 3-20 years; Leasehold Improvements, 5-20 years.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Effect of new Government Accounting Board Standards (GASB) Pronouncements

GASB Statement No. 80 - *Blending Requirements for Certain Component Units.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement does not have a material effect on the financial statements.

GASB Statement No. 82 - *Pension Issues.* The objective of this Statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement does not have a material effect on the financial statements.

GASB Statement No. 85 - *The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.* This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement does not have a material effect on the financial statements.

GASB Statement No. 86 - *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement does not have a material effect on the financial statements.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, employees health and natural disasters, The Commission manages these various risks of loss by purchasing commercial insurance coverage. Their insurance includes coverage for bodily injury, property damage, personal injury, directors' and officers' liability, public officials' errors and omissions, and non-owned and hired autos. In addition the Commission maintains a Workers' compensation package for it's employees.

Note 3. CONTINGENT LIABILITIES

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, 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 management does not expect such amounts, if any, to be material.

Note 4. COMMITMENTS

The Commission has two (2) operating leases for their current office location. The leases are for a term of four (4) years each, starting July 1, 2016. These leases require payments of \$2,250 per month for the Commission's office rent and \$1,666 per month for the Commission's First Five Impact office rent. Both of these leases expire on June 30, 2020. Rent expense for the year ended June 30, 2017 was \$27,000 for office rent and \$19,992 for First 5 Impact office rent.

The Commission has an operating lease for a copier with a term of 60 months. This lease was signed on June 6, 2013. Copier lease expense for the year ended June 30, 2017 was \$2,080. Total lease payments for the year ended June 30, 2017 were \$49,072.

Future minimum lease payments are as follows:

Year Ended June 30,		
2018	\$	49,188
2019		46,992
2020		46,992
2021		0
2022		0
		0
	\$	143,172

Note 5. SECTION 30131.4 - CALIFORNIA TAX AND REVENUE CODE CERTIFICATION

The Commission has certified that the supplant requirements stated in Section 30131.4 of the California Tax and Revenue Code have been met.

IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6. PROGRAM EVALUATION

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 \$238,852 on program evaluation during the fiscal year ending June 30, 2017.

Note 7. FUND BALANCE REPORTING

The Commission has adopted GASB 54 as part of its 2011-2012 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major fund types of fund balances, which are nonspendable and spendable. In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

The following classifications describe the relative strength of the constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance: Amounts that cannot be spent either because they are in nonspendable form or are legally or contractually required to be maintained intact (e.g. prepaid assets, inventory).

Restricted: fund balances that are constrained by external parties, constitutional provisions or enabling legislation.

Committed: fund balances include amounts that can be used only for the specific purposes determined by a formal action of the Commission Members (the Commission's highest level of decision making authority).

Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 7. FUND BALANCE REPORTING (Continued)

The Commission has classified its fund balances with the following hierarchy:

Nonspendable Fund Balance: The current Nonspendable Fund Balance is \$0.

Spendable: The Commission has classified the spendable fund balances as Restricted, Committed, Assigned, and Unassigned and considered each to have been spent when expenditures are incurred.

- Restricted:

The restricted fund balance is \$0

- Committed for Budgeted Program, Award Grantees, and School Readiness:

The Commission has set aside certain spendable fund balance for programs that have been approved and awarded funding. At year end, the committed fund balance is \$2,239,727 of which \$1,610,379 is for budgeted for programs. \$310,992 is for First 5 IMPACT, \$86,906 is for First 5 Impact HUB/CDE, \$171,450 is for the School Readiness Initiative and \$60,000 for PACES.

- Assigned for Encumbrances, Local Initiatives and Program Sustainability:

Assigned Funds include Encumbrances of \$631,213 which represent amounts pending on contracts and other commitments. These encumbrances are reported on the balance sheet as a reservation of fund balance at year end since they do not constitute expenditures or liabilities. An additional amount of \$2,050,000 is designated as Assigned Funds to be used for Local Initiatives and Program Sustainability. Total assigned fund balance is \$2,681,213.

- Unassigned:

The unassigned fund balance is \$277,123.

Note 8. - RELATED PARTY TRANSACTIONS

Imperial County Children and Families First Commission board membership includes members of the County and local community-based organizations which serve children in Imperial County. At times programs funded through the Commission may be operated by organizations that are represented by members of the Commission's board. Those board members abstain from voting on issues involving their respective organizations.

Note 9. SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 30, 2017, the report date, and has determined that there are no reportable events.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variances Favorable (Unfavorable) Final to Actual</u>
Revenues				
Proposition 10 apportionment	\$ 2,048,705	\$ 2,048,705	\$ 2,198,654	\$ 149,949
Interest	0	0	33,025	33,025
Refunds and Reimbursements	<u>0</u>	<u>0</u>	<u>55,358</u>	<u>55,358</u>
Total revenues	<u>2,048,705</u>	<u>2,048,705</u>	<u>2,287,037</u>	<u>238,332</u>
Expenditures				
Professional and special services	2,727,150	2,727,150	2,166,740	560,410
Services and supplies	<u>136,764</u>	<u>136,764</u>	<u>249,713</u>	<u>(112,949)</u>
Total expenditures	<u>2,863,914</u>	<u>2,863,914</u>	<u>2,416,453</u>	<u>447,461</u>
Net Change in Fund Balance	<u>(815,209)</u>	<u>(815,209)</u>	<u>(129,416)</u>	<u>\$ 685,793</u>
Fund Balance - Beginning of Year			<u>5,327,479</u>	
Fund Balance - End of Year			<u>\$ 5,198,063</u>	

Board of Commissioners
Imperial County Children and Families First Commission
El Centro, California 92243

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

I 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 of the Imperial County Children & Families First Commission (Commission), a legal public entity separate from the County of Imperial, California as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued my report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, I 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.

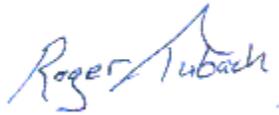
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

A handwritten signature in blue ink that reads "Roger Tubach". The signature is written in a cursive style with a large, sweeping initial "R".

El Centro, California
October 30, 2017

Board of Commissioners
Imperial County Children and Families First Commission
El Centro, California 92243

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

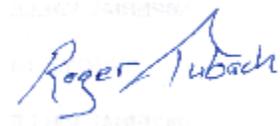
I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California's *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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

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

Opinion

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

A handwritten signature in blue ink that reads "Roger Tubach". The signature is written in a cursive style with a large, stylized initial "R".

El Centro, California
October 30, 2017

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
ROSTER OF COMMISSION MEMBERS
JUNE 30, 2017**

At June 30, 2017, the Commission consisted of the following members:

Karla A. Sigmond, Chairperson
Educator/Administrator
El Centro Elementary School District

Barbara Deol, Vice Chairperson
R.N., MPH, Administrator
Pioneers Memorial Healthcare District

Yurii Camacho
Educator
Holtville Unified School District

Ray Castillo
Supervisor, County Board of Supervisors
County of Imperial

Miguel Colon, Jr.
Chief of Police, Imperial Police Department
City of Imperial

Rebecca Green
Educator, Director of Consumer Sciences
Imperial Valley College

Robin R. Hodgkin, MPH
Director of Public Health
County of Imperial

Joong S. Kim
Business Owner

Peggy Price
Director of Social Services
County of Imperial