



Imperial County Children and Families First Commission

Audit Report

June 30, 2019

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

Imperial County Children and Families First Commission
Audit Report
For the Year Ended June 30, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Imperial County Children and Families First Commission (the Commission) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Imperial County Children and Families First Commission as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information identified as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Roster of Commission Members identified as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Imperial County Children and Families First Commission's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
October 23, 2019

**Imperial County Children and Families First Commission
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)**

The discussion and analysis of Imperial County Children and Families First Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. To provide a complete understanding of the Commission's financial performance, please read it in conjunction with the Independent Auditor's Report, the Commission's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The Commission received \$2,222,936 from the State of California from revenues collected under the California Children and Families Act (Proposition 10) and Impact funding.
- During the fiscal year ended June 30, 2019 the Commission disbursed \$1,819,494 in grants and program service expenditures to various community and commission run programs.
- Total assets exceeded total liabilities by \$5,222,910 as of June 30, 2019 which represented an increase of \$36,292 when compared to June 30, 2018.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Imperial County Children and Families First Commission as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are government-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole Commission, presenting both an aggregate view of the Commission's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Commission's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the Commission's general fund budget is included.

Reporting the Commission as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the Commission as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the Commission's assets and liabilities using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the Commission as a whole and its activities in a way that helps answer the question, "How did we do financially during 2018-19?"

These two statements report the Commission's net position and changes in the net position. This change in net position is important because it tells the reader that, for the Commission as a whole, the financial position of the Commission has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the Commission's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Commission's operating results. However, the Commission's goal is to provide services to children aged 0-5 and their families in Imperial County, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of services provided to assess the overall health of the Commission.

- Increases or decreases in the net position of the Commission over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as quality of services provided need to be considered in assessing the overall health of the Commission.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's most significant funds – not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the Commission may establish other funds to control and manage money for specific purposes.

Governmental Funds

All of the Commission's activities are reported in governmental funds. The Commission only has one governmental fund, the General Fund which is considered a major fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The Commission as a Whole

The Commission's net position was \$5.2 million at June 30, 2019 and was largely comprised of cash and cash equivalents. A Comparative analysis of government-wide data is presented in Table 1.

The Commission's net position increased \$36,292 this fiscal year (See Table 2). The Commission's expenses for children and family services represented 80% of total expenses. The remaining 20% was spent on general administration and evaluation. (See Figure 2)

Table 1
Statement of Net Position
June 30,

	<u>2018</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Assets				
Cash and cash equivalents	\$ 4,594,691	\$ 4,478,074	\$ (116,617)	-2.54%
Receivables	647,781	804,929	157,148	24.26%
Total Assets	<u>5,242,472</u>	<u>5,283,003</u>	<u>40,531</u>	<u>0.77%</u>
Liabilities				
Accounts payable	11,478	16,617	5,139	44.77%
Compensated absences	33,273	43,476	10,203	30.66%
Total Liabilities	<u>44,751</u>	<u>60,093</u>	<u>15,342</u>	<u>34.28%</u>
Net Position - Unrestricted	<u><u>\$ 5,197,721</u></u>	<u><u>\$ 5,222,910</u></u>	<u><u>\$ 25,189</u></u>	<u><u>0.48%</u></u>

Table 2
Statement of Activities
Year Ended June 30,

	<u>2018</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Program revenues	\$ 2,372,060	\$ 2,222,936	\$ (149,124)	-6.29%
General revenues	44,475	89,811	45,336	101.94%
Total Revenues	<u>2,416,535</u>	<u>2,312,747</u>	<u>(103,788)</u>	<u>-4.29%</u>
Expenditures				
Children & family services	1,887,039	1,829,697	(57,342)	-3.04%
Evaluation costs	238,852	250,646	11,794	4.94%
General administration	290,986	207,215	(83,771)	-28.79%
Total Expenditures	<u>2,416,877</u>	<u>2,287,558</u>	<u>(129,319)</u>	<u>-5.35%</u>
Change in Net Position	(342)	25,189	25,531	-7465.20%
Net Position, Beginning	<u>5,198,063</u>	<u>5,197,721</u>	<u>(342)</u>	<u>-0.01%</u>
Net Position, Ending	<u><u>\$ 5,197,721</u></u>	<u><u>\$ 5,222,910</u></u>	<u><u>\$ 25,189</u></u>	<u><u>0.48%</u></u>

GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the Commission's governmental activities this year was \$2.3 million. State aid \$1.8 million and covered 80% of the commissions expenses (See Figure 1).

Figure 1

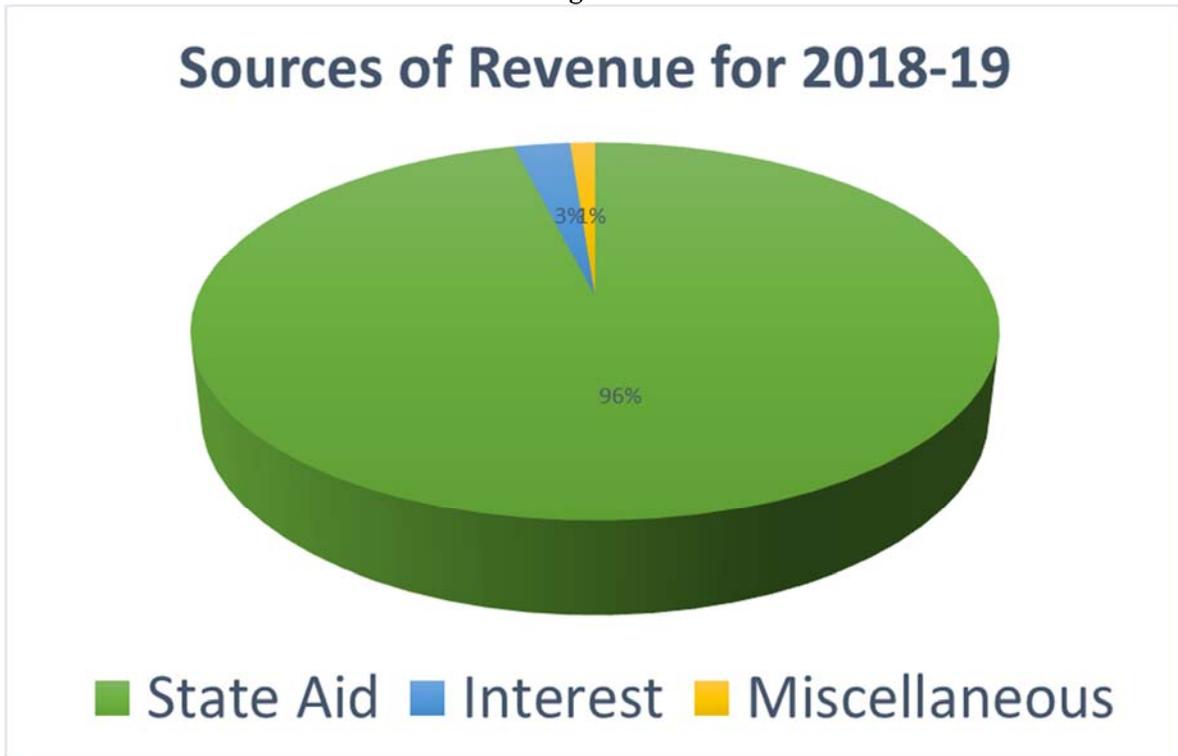
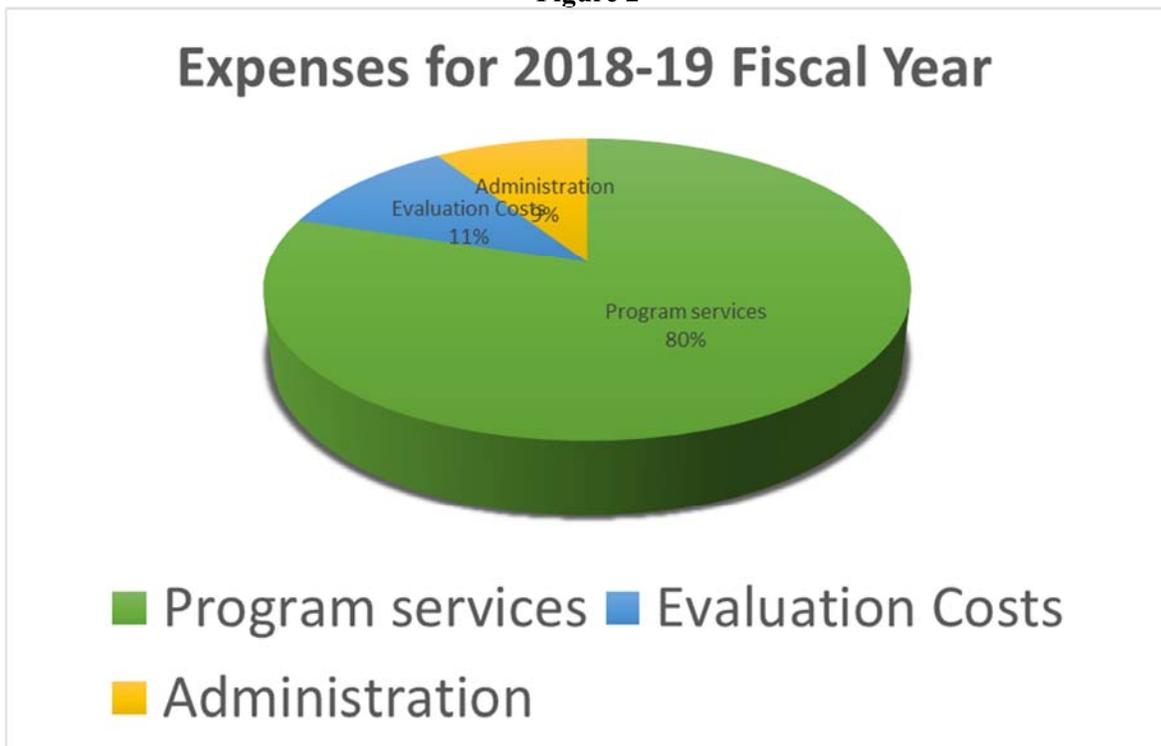


Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the Commission's operations in more detail than the government-wide statements. The Commission's individual fund statements provide information on inflows and outflows and balances of spendable resources. The Commission's Governmental Funds reported a fund balance of \$5.3 million, an increase of \$35 thousand from the previous fiscal year's ending balance of \$5.2 million.

General Fund Budgetary Highlights

The Commission did not revise the budget over the course of the year. The budget for the General Fund reflected a total expense expecting to be \$2.7 million which includes administrative expenses, evaluation costs, and program services.

FACTORS BEARING ON THE COMMISSION'S FUTURE

Proposition 10 tobacco tax revenue's volatility impact the Commission's income source. The financial well-being of the Commission is largely dependent upon this funding source.

Revenue forecasts provided by the state as well as those calculated by Commission staff are used to plan future program funding amounts. In planning award amounts the objective has been to maintain a constant stream of funds distributed by way of grants throughout the years regardless of the volatility and likely diminishing tax revenues. Staff continuously conducts revenue predictions to prevent falling short of obligations and maintaining funding consistency. While accomplishing this, the fund balances have been largely labeled as committed and assigned according to obligations. This has allowed the Commission to distribute a significant portion of the fund balance towards awards to the 0-5 age community. The Commission has an excellent track record in meeting this challenge in what has proven to be a long cycle of diminishing tobacco tax revenues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and parents, with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Commission, 1240 State Street, El Centro, CA 92243 (760) 482-2991.

Basic Financial Statements

Imperial County Children and Families First Commission
Government-Wide Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,478,074
Accounts receivable	<u>804,929</u>
Total Assets	<u><u>\$ 5,283,003</u></u>
Liabilities	
Accounts payable	\$ 16,617
Compensated absences	<u>43,476</u>
Total Liabilities	<u><u>\$ 60,093</u></u>
Net Position	
Unrestricted	<u>\$ 5,222,910</u>
Total Net Position	<u><u>\$ 5,222,910</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Imperial County Children and Families First Commission
 Government-Wide Statement of Activities
 Year Ended June 30, 2019

Functions	Expenses	Program Revenues Operating Grants	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental Activities:			
Children & Family Services	\$ 1,829,697	\$ 2,222,936	\$ 393,239
Evaluation costs	250,646	-	(250,646)
General Administration	207,215	-	(207,215)
Total	\$ 2,287,558	\$ 2,222,936	(64,622)
General Revenues:			
Interest			62,294
Miscellaneous			27,517
Total General Revenues			89,811
Change in Net Position			25,189
Net Position Beginning			5,197,721
Net Position Ending			\$ 5,222,910

The accompanying notes to the financial statements are an integral part of this statement.

Imperial County Children and Families First Commission

Balance Sheet – General Fund

June 30, 2019

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 4,478,074
Accounts receivable	804,929
Total Assets	<u>\$ 5,283,003</u>
Liabilities	
Accounts payable	<u>\$ 16,617</u>
Total Liabilities	<u>16,617</u>
Fund Balance	
Committed Fund Balance	2,207,709
Assigned Fund Balance	2,722,627
Unassigned Fund Balance	<u>336,050</u>
Total Fund Balance	<u>5,266,386</u>
Total Liabilities and Fund Balance	<u>\$ 5,283,003</u>

The accompanying notes to the financial statements are an integral part of this statement.

Imperial County Children and Families First Commission
Reconciliation Between the Balance Sheet and the Government-Wide Statement of Net Position
June 30, 2019

Total fund balances - general fund balance sheet \$ 5,266,386

Reconciling items

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consisted of:

Compensated absences (43,476)

Net position of governmental activities - statement of net position \$ 5,222,910

The accompanying notes to the financial statements are an integral part of this statement.

Imperial County Children and Families First Commission
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Year Ended June 30, 2019

	<u>General Fund</u>
Revenues	
State aid	\$ 2,222,936
Interest income	62,294
Other local revenue	27,517
Total Revenues	2,312,747
Expenses	
Current expenses	
Program grants to outside agencies	1,307,733
First 5 Impact program	376,922
School readiness initiative	13,491
Impact HUB technical assistance program	40,373
Early care & education stipends	23,860
Professional development	11,991
Other program services	45,124
Evaluation costs	250,646
Administrative services	207,215
Total Expenses	2,277,355
Net Change in Fund Balance	35,392
Fund Balance, Beginning of Year	5,230,994
Fund Balance, End of Year	\$ 5,266,386

The accompanying notes to the financial statements are an integral part of this statement.

Imperial County Children and Families First Commission

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

Net change in fund balances - general fund	\$	35,392
Reconciling items		
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		<u>(10,203)</u>
Change in net position of governmental activities - statement of activities	\$	<u>25,189</u>

The accompanying notes to the financial statements are an integral part of this statement.

Imperial County Children and Families First Commission

Notes to the Financial Statements

Year Ended June 30, 2019

A. 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 No. 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 No. 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 §130151 and require that the audits and reports provided under these guidelines shall be transmitted to the Imperial County Auditor-Controller.

Component Units

Component units are legally separate organizations for which the Commission is financially accountable. Component units may also include organizations that are fiscally dependent on the Commission in that the Commission approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the Commission is not financially accountable but the nature and significance of the organization's relationship with the Commission is such that exclusion would cause the Commission's financial statements to be misleading or incomplete. Based on evaluation of component units consistent with requirements described in statements issued by the Governmental Accounting Standards Board (GASB) the Commission does not have any component units and is not considered a component unit of another organization.

Basis of Presentation

Government Wide Financial Statement: The government-wide statement of net position and the government-wide statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses in the statement of activities. Program revenues include operating grants received from the State of California which have been funded through tobacco product taxes. Revenues that are not classified as program revenues are presented as general revenues.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

Fund Financial Statements: The fund financial statements provide information about the Commission's funds, with separate statements presented for different fund categories as applicable. The emphasis of fund financial statements is on major governmental funds. The Commission has one fund, which is considered a major fund, that is the General Fund. The general fund is the Commission's primary operating fund. It accounts for all financial resources of the Commission.

Basis of Accounting

Government-Wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include operating grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus on the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. Under a modified accrual basis of accounting any capital asset acquisitions are reported as expenditures. Additionally, any long-term debt and acquisitions under capital leases are reported as other financing sources.

When the Commission incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Commission's policy to use restricted resources first, then unrestricted resources.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30, 2019.

Deposits and Investments

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is fully insured or collateralized.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

The Commission maintains the majority of its cash in the Imperial County Treasury. The county pools these funds with those of other governmental agencies in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized. Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

Compensated Absences

Accumulated unpaid employee vacation and sick pay benefits are recognized as liabilities of the Commission. The balance is reflected in the government-wide financial statements.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid expense) or legally required to remain in tact.

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for specific purpose because of formal action by the Commissioners. Committed amounts cannot be used for any other purpose unless the Commissioners remove those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Commission intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners or by an official or body to which the Commissioners delegate the authority. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Commission itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

Fair Value Measurements

The Commission categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

Implementation of New Accounting Pronouncements

The Commission has adopted policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. The newly implemented pronouncements are as follows:

GASB Statement No. 83 – Certain Asset Retirement Obligations

In November 2016, GASB issued Statement No. 83. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The Commission has determined that there was no affect on the financial statements due to implementation of this Statement.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

In March 2018, the GASB issued Statement No. 88. The objective of this Statement is to improve consistency in the information that is disclosed in the notes to governmental financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The Commission has determined that there was no effect on the financial statements due to implementation of the Statement.

B. Fair Value Measurements

At June 30, 2019 the Commission reported the following fair value balances:

	Assets Measured at Fair Value			Reported Amount
	Level 1	Level 2	Level 3	
Cash in county treasury - pooled investments	\$ -	\$ 4,255,423	\$ -	\$ 4,255,423
Total	\$ -	\$ 4,255,423	\$ -	\$ 4,255,423

C. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not Applicable

2. Deficit Fund Balance or Net Position

Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not Applicable	Not Applicable

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

D. Cash and Investments

1. Cash in County Treasury

The Commission maintains the majority of its cash in the Imperial County Treasury as part of the common investment pool (\$4,225,423 as of June 30, 2019). The fair value of the Commission's portion of this pool as of that date, as provided by the pool sponsor, was \$4,225,423. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The Commission is considered to be an involuntary participant in an external investment pool as the Commission is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the Commission's investments in the pool is reported in the accounting financial statements as amounts based upon the Commission's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The Imperial County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

2. Cash in Banks

Cash balances in banks include the payroll account fund (\$222,651 as of June 30, 2019) which are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the bank is fully insured or collateralized.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

3. Investments Authorized by the California Government Code and the County's Investment Policy

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
US Treasury Obligations	5 Years	None	None
US Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Commission was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county treasury is restricted by Government Code §53635 pursuant to §53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the Commission was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commission's name. The California Government Code and County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name.

As of June 30, 2019, the Commission was not exposed to custodial credit risk.

c. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the County Treasurer contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are external investment pools and are therefore exempt. As such, the Commission was not exposed to this risk.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

d. Interest Rate Risk

Interest rate risk is the risk that changes in 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. The Commission holds the majority of their funds in the county treasury investment pool and are therefore not significantly exposed to interest rate risk.

e. Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. The Commission did not hold any investments in foreign currency and was therefore not exposed to foreign currency risk.

5. Investment Accounting Policy

The Commission is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Commission's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

The Commission's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

E. Accounts Receivable

Accounts receivable balances represent amounts due to the Commission from the California Children and Families Commission (State Commission) for Proposition 10 related revenues and other items as well as amounts due from the Imperial County Treasury for interest earned on cash in county treasury. Amounts due to the Commission as of June 30, 2019 were as follows:

Accounts Receivable - State Commission	
Proposition 10 grant revenue	\$ 401,972
First 5 Impact grant revenue	376,921
SMIF grant revenue	<u>5,038</u>
Total from State Commission	<u>783,931</u>
Accounts Receivable - Imperial County Treasurer	
Interest	<u>20,998</u>
Total from Imperial County Treasurer	<u>20,998</u>
Total Accounts Receivable	<u><u>\$ 804,929</u></u>

F. Current Liabilities

Current liabilities consist of accounts payable to vendors and for government-wide presentation compensated absences. At June 30, 2019 current liabilities consisted of the following:

	<u>General Fund</u>	<u>Government-Wide</u>
Accounts Payable - Vendors	\$ 16,617	\$ 16,617
Compensated absences	<u>-</u>	<u>43,476</u>
Total current liabilities	<u><u>\$ 16,617</u></u>	<u><u>\$ 60,093</u></u>

G. Ending Fund Balance

Ending fund balance in the general fund consisted of the following:

Committed Fund Balance	
2019-20 Program Services	<u>\$ 2,207,709</u>
Total committed fund balance	<u>2,207,709</u>
Assigned Fund Balance	
Encumbrances	672,627
Long-term financial plan	<u>2,050,000</u>
Total assigned fund balance	<u>2,722,627</u>
Unassigned Fund Balance	<u>336,050</u>
Total Fund Balance	<u><u>\$ 5,266,386</u></u>

Imperial County Children and Families First Commission
Notes to the Financial Statements, Continued
Year Ended June 30, 2019

H. Commitments and Contingencies

State Grants

The Commission has received fund for state programs that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Litigation

The Commission is not involved in any litigation.

Operating Leases

The Commission has two operating leases for their current office location. The leases are for a term of four years each and began July 1, 2016. These leases require payments of \$2250 per month for the Commission’s office rent and \$1666 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, 2019 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 August 2, 2018. Copier lease expense for the year ended June 30, 2019 was \$849.

Total lease payments for the year ended June 30, 2019 was \$47,841. Future minimum lease payments are as follows:

Year Ended June 30,	Office Rent	First Impact Office Rent	Copier Lease	Total
2020	\$ 27,000	\$ 19,992	\$ 849	\$ 47,841
2021	-	-	849	849
2022	-	-	849	849
2023	-	-	849	849
2024	-	-	71	71
Total	<u>\$ 27,000</u>	<u>\$ 19,992</u>	<u>\$ 3,467</u>	<u>\$ 50,459</u>

I. 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, director’s 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.

Imperial County Children and Families First Commission

Notes to the Financial Statements, Continued

Year Ended June 30, 2019

J. 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.

K. 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 of Commission management, Commissioners and other interested parties. The Commission spent \$250,646 on program evaluation during the fiscal year ending June 30, 2019.

L. Subsequent Events

Implementation of New Accounting Guidance

The Commission has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. The newly implemented pronouncement is as follows:

GASB Statement No. 84 – Fiduciary Activities

In January 2017, GASB issued Statement No. 84. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Commission has not determined the effect, if any, on the financial statements.

Required Supplementary Information

Imperial County Children and Families First Commission
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State aid	\$ 2,753,755	\$ 2,753,755	\$ 2,222,936	\$ (530,819)
Interest income	-	-	62,294	62,294
Other local revenue	-	-	27,517	27,517
Total Revenues	<u>2,753,755</u>	<u>2,753,755</u>	<u>2,312,747</u>	<u>(441,008)</u>
Expenses				
Current expenses				
Program services	2,164,748	2,164,748	1,819,494	345,254
Evaluation costs	353,604	353,604	250,646	102,958
Administrative expenses	235,407	235,407	207,215	28,192
Total Expenses	<u>2,400,155</u>	<u>2,400,155</u>	<u>2,277,355</u>	<u>122,800</u>
Net Change in Fund Balance	353,600	353,600	35,392	(318,208)
Fund Balance, Beginning of Year	<u>5,230,994</u>	<u>5,230,994</u>	<u>5,230,994</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,584,594</u>	<u>\$ 5,584,594</u>	<u>\$ 5,266,386</u>	<u>\$ (318,208)</u>

Budget and Budgetary Reporting

The Commission is required to prepare a budget each year based on estimated revenues and expenditures. The budget is adopted by the Commission Board on or before July 1 on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the fund level. All changes to the budget during the year are reflected in these financial statements and require the approval of the Board of Commissioners. All unencumbered annual appropriations lapse at the end of each fiscal year.

The original budget was approved by the Commission on June 7, 2018 for the 2018-19 fiscal year.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2019, the Commission did not have any budget categories with excess of expenditures over appropriations.

Other Supplementary Information

Imperial County Children and Families First Commission

Roster of Commission Members
Year Ended June 30, 2019

At June 30, 2019 the Commission consisted of the following members:

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

Barbara Deol, RB, MSN, Vice Chairperson
Care Manager
California Health and Wellness

Yurri Camacho
Educator
Holtville Unified School District

Ray Castillo
Supervisor, County Board of Supervisors
County of Imperial

Becky Green
Director of Child, Family & Consumer Science
Imperial Valley Community College

Joong S. Kim
Business Owner

Fred Miramontes
Undersherrif, Imperial County Sheriff's Office
County of Imperial

Peggy Price, MPA
Director of Social Services
County of Imperial

Danila Vargas, MPA
Deputy of Public Health
County of Imperial

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund information of the Imperial County Children and Families First Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Imperial County Children and Families First Commission's basic financial statements and have issued our report thereon dated October 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Imperial County Children and Families First 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 Imperial County Children and Families First Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Children and Families First Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Imperial County Children and Families First 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-003.

Imperial County Children and Families First Commission's Response to Findings

Imperial County Children and Families First Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Imperial County Children and Families First Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilkinson Hadley King + Co LLP

El Cajon, California
October 23, 2019

Independent Auditor's Report on State Compliance

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

Compliance

We have audited the Imperial County Children and 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, 2019.

Management's Responsibility

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

Auditor's Responsibility

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

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

<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 Conditions of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefits Policies	2	Yes

Opinion

In our opinion, Imperial County Children and Families First Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003.

The Commission's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Wilkinson-Hadley King + Co LLP

El Cajon, California
October 23, 2019

Findings and Recommendations

Imperial County Children and Families First Commission

Summary of Auditor's Results

Year Ended June 30, 2019

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

2. State Compliance

Any audit findings disclosed that are required to be reported in accordance with the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*? X Yes No

Type of auditor's report issued on compliance for state programs? Unmodified

Imperial County Children and Families First Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

1. Financial Statement Findings

Finding 2019-001 (Material Weakness)
Financial Reporting

Criteria or Specific Requirement

Management is responsible for a system of internal controls over financial reporting which should be designated to initiate, authorize, record, process and report financial data reliably in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Condition

The Commission does not have a complete set of accounting records that includes all transactions and assets of the Commission. The records are kept in two separate accounts which are not combined for a complete dual entry system for the Commission activities. Transactions between the two different systems are not accounted for properly. Additionally, the books were closed before information was available to record accounts receivable for state grants.

Context

The Commission utilizes the County of Imperial Auditor's office and accounting system to record income and expenses and to provide the detail transaction (general ledger) and summary transaction (trial balance) reports. The Commission keeps a separate record of payroll transactions through a third party vendor. The activities from the payroll accounting are not properly integrated into the general ledger. Additionally, transfers from the county treasury into the payroll account are recorded as expenses instead of transfers of funds. A finding was reported in the prior year audit by a previous auditor; however, the finding focused on payroll data not having accounting records and was not clear that a dual entry accounting system was not in place. The firm Wilkinson Hadley King & Co. LLP assisted in reviewing revised payroll procedures; however, the firm was not aware that the Commission did not have a dual entry accounting system in place until data was provided for the audit.

Effect

The financial statements as provided by the County of Imperial Auditor's office were materially misstated and required journal entries to bring the financial statements to correct balances. The material misstatements were not identified and corrected timely. Under the current system a material misstatement, whether due to error or fraud, has a reasonable possibility that the misstatement would not be prevented, detected or deterred.

Cause

The Commission does not have sufficient procedures over accounting processes to include all activities of the Commission.

Recommendation

Implement accounting processes that involve accounting for all activities of the commission in one accounting record. This can be either be done by modifying agreements with the County of Imperial Auditor's office to incorporate activities of the payroll account or by utilizing an accounting system within the Commission that incorporates the activities of both the County of Imperial Auditor's Office and the payroll accounts.

Imperial County Children and Families First Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

View of Responsible Officials and Planned Corrective Action

As a result of our fiscal year 2017-2018 audit of financial statements, the Commission contracted the CPA firm Wilkinson Hadley King & Co. to provide technical support to correct this finding during fiscal year 2018-2019. Copies of the audit report were provided to Wilkinson Hadley King & Co., and the Commission followed all recommendations provided. The step of implementing an accounting system that merges the accounting activities into one was not part of those recommendation, though this step will be adopted no later than February 2020.

Finding 2019-002 (Significant Deficiency)

Internal Controls Over Payroll

Criteria or Specific Requirement

Management is responsible for a system of internal controls over payroll which should be designed to initiate, authorize, record, process and report payroll financial data reliably in accordance with U.S. generally accepted accounting principles and government accounting standards.

Condition

At the beginning of the fiscal year the Commission had a practice to process paychecks in advance. This resulted in incorrect information for available sick time on paycheck stubs. Additionally, this practice put the Commission at significant risk of misstatement, whether due to fraud or errors.

Context

In order to ensure signers were available for payroll checks, payroll processing sometimes included multiple time periods and was processed in advance. The paychecks were processed without supporting time sheets, so time worked vs. sick time or vacation time was not accounted for when processing payroll. The Commission began reviewing the payroll process after receiving an audit finding in the 2017-18 audit. The Commission stopped the practice of processing batches November 2018; however, amounts reported for available sick leave on paycheck stubs were not in agreement with records held by management. Processes were revised and approved by the Commission June 2019. The Commission spent a good portion of the year evaluating and revising payroll processes in order to adequately respond to previous findings. This finding is a result of the nature of prior practices as identified in a prior audit finding which take time to resolve and correct.

Effect

Information for sick time reported on check stubs was not accurately reported as data was not known when processing payroll in advance. Additionally, a misstatement in pay checks, whether due to error or fraud may not be prevented, detected, or deterred in a timely manner when payroll checks are processed in advance.

Cause

Responding to the finding issued by auditors in 2017-18 fiscal year took time. The Commission completely revised procedures by June 2019; however, during the year some of the previous practices had occurred.

Imperial County Children and Families First Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Recommendation

Implement processes designed by the Commission at the end of the 2018-19 fiscal year that were developed and designed to provide reasonable assurance that errors in payroll will be prevented, detected and deterred in a timely manner.

View of Responsible Officials and Planned Corrective Action

Following the corrective action plan from fiscal year 2017-2018, and responding to the finding presented to the Commission in November 2018, the Commission adopted procedures and timeline for which this finding has been corrected, and therefore has been addressed and these procedures will continue to be maintained during fiscal year 2019-2020.

2. State Compliance Findings

Finding 2019-003 (Compliance)

Administrative Costs, Financial Condition, and Program Evaluation

Criteria or Specific Requirement

The following criteria are identified in the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (Guide), issued by the California State Controller's Office:

1. Administrative Costs – Health and Safety Code §130140(d)(5) and §130151(b)(2) require that the Commission have a process in place to monitor administrative costs.
2. Financial Condition of the Commission – Health and Safety Code §130151(b)(6) requires that the Commission establish policies and practices with communicating its financial condition.
3. Program Evaluation – Health and Safety Code §130151(b)(7) requires that the Commission have policies and practices with respect to the amount it spends on program evaluation and documenting results of these expenditures.

Condition

Financial monitoring by the Commission was incomplete as payroll data was not provided until the June 2019 board meeting to be reviewed. Additionally, the accounting records provided did not include a complete financial condition of the Commission as there were two separate systems for accounting that were not integrated together to give a complete financial picture to the Commission. Without a complete and accurate accounting that includes all activities of the Commission in one cohesive reporting that balances, the Commission cannot properly monitor administrative costs, communicate financial condition, and identify complete program evaluation costs. Finally, reports that were provided to the Commission did not agree with the underlying records as tracked by Imperial County as the Commission did not have a dual entry accounting system that balanced and reconciled the underlying accounting information.

Imperial County Children and Families First Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Context

The Commission began working on updating policies and practices associated with financial reporting after receiving an audit finding in the 2017-18 audit. New policies were approved by the Commission in June 2019 to respond to the 2017-18 audit finding. Payroll information was provided to the Commission in June 2019; however, that data was not integrated into a dual entry accounting system and reconciled to the underlying accounting records. A finding was reported in the prior year audit by a previous auditor; however, the finding focused on payroll data not having accounting records and was not clear that a dual entry accounting system was not in place. The firm Wilkinson Hadley King & Co. LLP assisted in reviewing revised payroll procedures; however, the firm was not aware that the Commission did not have a dual entry accounting system in place until data was provided for the audit.

Effect

Information provided to the Commission for review of administrative costs, financial condition, and program evaluation were not in agreement with accounting records.

Cause

The Commission did not have a dual entry accounting system that allowed for proper tracking of all activities of the Commission that are complete and balance.

Recommendation

Implement a dual entry accounting system and provide complete and accurate information to the Commission for review and monitoring.

View of Responsible Officials and Planned Corrective Action

As noted under the View of Officials and Planned Corrective Action section of Finding 2019-001, the Commission had contracted with the CPA firm Wilkinson Hadley King & Com to address audit findings from fiscal year 2017-2018 and followed all recommendations made to the Commission, though the recommendations provided to the Commission for corrective action did not address this specific matter. Therefore, during fiscal year 2019-2020 the Commission will hire an accounting firm to address incorporating expense and revenue data into a dual entry accounting system that is now being recommended. This system will be implemented no later than February 2020 and will reflect all expense and revenue detail for FY 2019-2020.

Imperial County Children and Families First Commission
 Summary Schedule of Prior Year Audit Findings
 Year Ended June 30, 2019

Finding/Recommendation	Current Status	Management's Explanation if Not Implemented
<p>Finding 2018-01 Financial Reporting</p> <p>While conducting the audit it was noted that the payroll transactions, including employee benefits were materially misstated in the draft financial statements. It was also noted that the payroll transactions, including employee benefits did not have trial balance, general ledger, balance sheet or income statements.</p> <p>It was recommended that the Commission strengthen procedures to ensure that the payroll transactions are prepared in accordance with GAAP and adequately integrated into the trial balance. It was also recommended that complete financial statements be prepared and reviewed for accuracy and completeness. Finally, it was recommended that personnel involved in payroll and preparation and review of the financial statements obtain training to ensure payroll transactions and financial statements are presented in conformity with GAAP.</p>	Partially Implemented	See Finding 2019-001
<p>Finding 2018-02 Internal Controls Payroll</p> <p>While conducting the audit, it was noted that many of the time sheets prepared by employees were not signed by the employee and approved by their supervisor and executive director prior to payroll preparation.</p> <p>It was recommended that the Commission design internal controls and develop payroll procedures over the payroll process to provide reasonable assurance that errors in payroll will be prevented or detected in a timely manner. It was also recommended that personnel involved in the preparation and review of the payroll transactions obtain training in internal controls.</p>	Implemented by June 2019	See Finding 2019-002

Imperial County Children and Families First Commission
 Summary Schedule of Prior Year Audit Findings, Continued
 Year Ended June 30, 2019

Finding/Recommendation	Current Status	Management's Explanation if Not Implemented
<p>Finding 2018-03 Administrative Costs, Financial Condition, and Program Evaluation Policies</p> <p>It was noted that the Commission staff provided financial reports to the Commission Board but that the financial reports did not accurately report payroll activity.</p> <p>It was recommended that the Commission implement procedures to ensure compliance with monitoring costs for administrative activities, communicate financial condition to the Commission Board and documenting results of program evaluation expenditures.</p>	<p>Partially Implemented</p>	<p>See Finding 2019-003</p>