

**CHILDREN AND FAMILIES FIRST COMMISSION
OF VENTURA COUNTY**

A Component Unit of the County of Ventura

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A Component Unit of the County of Ventura

Table of Contents

<u>Financial Section</u>	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Management's Discussion and Analysis (Unaudited).....	3 - 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position as of June 30, 2021	10
Statement of Activities for the Fiscal Year Ended June 30, 2021	11
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds as of June 30, 2021.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance For the Fiscal Year Ended June 30, 2021.....	13 - 14
Notes to the Basic Financial Statements.....	15 - 21
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule - Operating Fund.....	22
Budgetary Comparison Schedule - Community Investment Loan Fund.....	23
<u>Other Reports</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report on State Compliance.....	26 - 27

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Commissioners and Administration/Finance Committee
Children and Families First Commission of Ventura County
Ventura, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Children and First Families Commission of Ventura County (Commission), a component unit of the County of Ventura, California, as of and for the fiscal year ended June 30, 2021, 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 an opinion 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2021, and the respective changes in financial position thereof for the fiscal 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 3 through 9 and 22 through 23 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2021

This section of the Children and Families First Commission of Ventura County's (Commission) Annual Financial Report presents management's discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2021. Please read in conjunction with the Commission's financial statements and accompanying notes that begin on page 10.

FINANCIAL HIGHLIGHTS

- The Commission received \$6,455,875 in tobacco tax revenue, compared to \$6,229,249 received in the prior fiscal year, an increase of \$226,626 or 4%.
- The Commission recognized \$87,056 in grant funding from federal, state, and foundation sources, compared to \$824,871 received in the prior fiscal year for grants and pass-through dollars.
- The Commission's expenses totaled \$4,542,479 compared to \$5,649,738 incurred in the prior fiscal year, a decrease of \$1,107,259 or 20%. This decrease is primarily due to no longer serving as the fiscal pass-through for First 5 California's IMPACT Hub program, the one-time cost for funding of a preschool facility that occurred in the prior year, and the conclusion of time-limited grant projects.
- The Commission's assets at June 30, 2021 were \$17,156,895, an increase of \$1,810,651 or 12%, compared to total assets of \$15,346,244 at June 30, 2020.
- The Commission's net position as of June 30, 2021 was \$16,391,129, an increase of \$2,041,362 or 14%, compared to a net position of \$14,349,767 as of June 30, 2020.

OVERVIEW OF SIGNIFICANT EVENTS FOR FY 2020-21

In fiscal year (FY) 2020-21, the Commission implemented the fifth and final funding year of its five-year strategic plan that was adopted in June 2015. Over this five-year strategic plan spanning a funding period of July 1, 2016 through June 30, 2021, the Commission made investments totaling \$42 million dollars. For funding years one through three, investments in strategies and programs had largely remained the same as the Commission utilized its Sustainability Fund to maintain current funding levels as long as possible due to declining revenues. With the final transfer of the Sustainability Fund to the Operating Fund that occurred in FY 2018-19, the Commission had reduced spending levels beginning July 1, 2019. Thus, the strategic investments that occurred in years four and five transitioned towards systems-building and advocacy efforts to support and strengthen the overall early childhood system of services. A considerable investment in the county's early childhood system continues to be provided. These investments in FY 2020-21 included continuation of place-based services focused on Parent and Child Together programs (PACT) and family support services through the Neighborhoods for Learning Initiative, preschool services for the final year of a two-year transitional period to maintain licensed preschool capacity while efforts were made to transition these spaces to public funding source; programs that provide linkage to resources and early intervention countywide, and systems integration, advocacy, and capacity building efforts.

In August 2021, the Commission completed a two-year effort in partnership with the J.B. and M.K. Pritzker Family Foundation focused on increasing the number of children developmentally on track for Kindergarten readiness by age three. The Commission received funding - one of just nine communities nationwide - to house a Fellow, which advanced the Commission's Prenatal to Three (PN-3) agenda and transitioned to the redesigned Neighborhoods for Learning Initiative.

The Commission continued to address emerging needs of families with young children and service providers as a result of the COVID-19 coronavirus pandemic. Service providers implemented practices so that virtual services could be delivered where possible. The Commission convened the Early Childhood Education COVID-19 Taskforce to ensure a coordinated response to the childcare needs of essential workers and the issues faced by childcare providers. Taskforce partners provided technical assistance and multiple workshops for providers on COVID-19 health and safety measures, immunizations, and applying for local, state and federal COVID-19 relief funding. Through existing partner networks with service organizations, emergency supplies/diapers/personal protective equipment, primarily provided by First 5 California, were distributed to

childcare providers. The Commission released a report on the “State of Child Care during COVID-19” and led joint advocacy efforts to raise awareness about the importance of childcare as an economic recovery strategy.

Several accomplishments were realized this year in the development and implementation of countywide system initiatives in promoting parent engagement, early intervention, child welfare, early relational health, and access to resources. Through national, state, and local partnership-based collaboratives with agencies, schools, and community organizations, common frameworks for addressing the needs of young children and their families were advanced. Significant strides were made this year with the Commission’s parent engagement strategy, which is built upon a national model, in collaboration with the Center for the Study of Social Policy’s EC-LINC. The Commission actively partnered with the Ventura County Human Services Agency, Child Welfare Department on the development of the Ventura County Prevention Plan and, as a result, was designated as the lead agency to develop and submit an application for the *Family Support Through Primary Prevention* demonstration grant, with the goal of leveraging federal funds to support the work under way through the Prevention Plan. The Commission was invited to participate in a national project led by Nemours Children’s Health System and a state-level project led by the Center for the Study of Social Policy to better leverage Medi-Cal for promoting child outcomes. This work led to the Commission becoming a claiming unit for Medi-Cal Administrative Activities (MAA) under the County of Ventura. Using Help Me Grow investments, the Commission is slated to receive reimbursement for a portion of expenditures associated with MAA activities. Beginning July 1, 2020, all Help Me Grow (HMG) program components were implemented in-house. The Commission re-launched a HMG call line for families and providers to address questions or concerns about a young child’s developmental or behavioral needs and a HMG Care Coordinator was hired to provide parent education, developmentally appropriate tips and strategies, and resource and referral information.

During FY 2020-21, the Commission developed an implementation plan to support its FY 2020-22 Strategic Plan that was adopted in June 2020. Implementation of the FY 2020-22 Strategic Plan will begin on July 1, 2021, extending most of the Commission’s current investments. The implementation plan outlines how allocated resources of \$12 million will be deployed to achieve strategic goals and objectives, including targeting resources towards strengthening the larger early childhood systems and building organizational capacity. The Commission assessed and modified implementation strategies for key investments to assure program effectiveness, fidelity and alignment with local, state, and federal priorities, challenges, and opportunities, resulting in decision to implement the Neighborhoods for Learning in-house rather than contracting it out beginning with FY 2021-22. With a continued investment focusing on systems-building and advocacy, resources will be blended with designated direct services to have a greater impact on the early childhood system of care.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission’s basic financial statements. The Commission’s financial statements comprise three components:

- 1) Government-wide financial statements;
- 2) Fund financial statements; and
- 3) Notes to the financial statements.

The Commission’s financial statements offer key, high-level financial information about its activities.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Commission finances in a manner similar to private-sector business.

The *Statement of Net Position* presents total assets and deferred outflows of resources (if applicable), and total liabilities and deferred inflows of resources (if applicable), with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is changing.

The *Statement of Activities* presents information on how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses reported in this statement include some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Fund Financial Statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commission has established funds to control and manage funding for a particular purpose (e.g., community investment loan fund). The Commission reports all activities under *governmental funds*.

Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These 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 funds 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. In the fiscal year ended June 30, 2021, the Commission maintained two individual governmental funds.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Commission is considered a legal public entity separate from the County of Ventura (County). However, for financial statement presentation purposes only, the Commission is a component unit of the County.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the Commission's assets, liabilities, and net position comparing June 30, 2021 with June 30, 2020.

Statements of Net Position				
As of				
ASSETS	June 30, 2021	June 30, 2020	Change in Dollars	Change in Percent
Cash and investments	\$ 16,064,673	\$ 13,183,757	\$ 2,880,916	22%
Current and other assets	<u>1,092,222</u>	<u>2,162,487</u>	<u>(1,070,265)</u>	<u>-49%</u>
Total assets	<u>\$ 17,156,895</u>	<u>\$ 15,346,244</u>	<u>\$ 1,810,651</u>	<u>12%</u>
LIABILITIES				
Current liabilities	\$ 665,921	\$ 921,413	\$ (255,492)	-28%
Long-term liabilities	<u>99,845</u>	<u>75,064</u>	<u>24,781</u>	<u>33%</u>
Total liabilities	765,766	996,477	(230,711)	-23%
NET POSITION				
Unrestricted	<u>16,391,129</u>	<u>14,349,767</u>	<u>2,041,362</u>	<u>14%</u>
Total liabilities and net position	<u>\$ 17,156,895</u>	<u>\$ 15,346,244</u>	<u>\$ 1,810,651</u>	<u>12%</u>

As of June 30, 2021, the Commission's total assets were \$17,156,895, an increase of \$1,810,651 or 12% compared to the prior year. The Commission accrued all amounts due to the Commission but not yet received by year-end. These amounts are reflected under current and other assets. Current and other assets include receivables and prepaid expenses such as amounts due from other governments, loans for preschool facilities, and interest receivables. There was a decrease of 49%, or \$1,070,265, in current and other assets, which is primarily attributed to a decrease in amounts due from other governments. Several items contribute to this reduction in receivables, including: 1) the tobacco tax distribution for May was received in June and did not need to be accrued and the June distribution was lower than the prior year; 2) the Commission concluded its role serving as the fiscal pass-through for First 5 California's IMPACT Hub program on behalf of Region 7 (comprised of Ventura, Santa Barbara, and San Luis Obispo counties) in the prior year. Thus, a receivable did not need to be recorded for this program at year-end; 3) interest earnings were substantially lower in the current period due to market conditions; and 4) loan repayments occurred throughout the year which reduced receivables for the Community Investment Loan Fund.

At the end of FY 2020-21, the Commission also accrued all amounts owed by the Commission but not yet paid by year-end. Liabilities include accounts and contracts payable along with accrued wages and benefits. Liabilities of \$765,766 as of June 30, 2021 were lower than the \$996,477 at June 30, 2020. The decrease in total liabilities of 23%, or \$230,711, mainly results from no longer needing to accrue IMPACT Hub partner reimbursements at year-end since the Commission no longer serves as the fiscal pass-through entity. This decrease is offset by an increase in the amount accrued for wages and benefits as a result of hiring staff in June 2021 in preparation for the Commission to begin directly implementing the Neighborhoods for Learning in July 2021. Additionally, the increased liability for compensated absences reflects existing staff carrying higher balances.

The Commission's net position at June 30, 2021 was \$16,391,129, an increase of 14% or \$2,041,362, compared to a net position of \$14,349,767 at June 30, 2020. While the Commission planned for a decrease in net position, revenues were sufficient to cover expenses in the current period as most programs did not spend their full allocation. Therefore, resources from the existing fund balance were not drawn upon in the current period. The Commission's remaining net position is dedicated for future program sustainability.

The following table summarizes the changes in net position comparing FY 2020-21 with FY 2019-20:

	Statements of Activities For the Fiscal Years Ended		Change in Dollars	Change in Percent
	June 30, 2021	June 30, 2020		
Expenses:				
Programs	\$ 3,749,288	\$ 4,886,480	\$ (1,137,192)	-23%
Program evaluation (Results-Based Accountability)	238,088	170,831	67,257	39%
Administration	551,495	582,410	(30,915)	-5%
Equipment replacement	3,608	10,017	(6,409)	-64%
Total expenses	<u>4,542,479</u>	<u>5,649,738</u>	<u>(1,107,259)</u>	<u>-20%</u>
Program revenues:				
Proposition 10 tax distribution	6,455,875	6,229,249	226,626	4%
First 5 CA IMPACT Hub	(3,000)	580,708	(583,708)	-101%
Pritzker Children's Initiative	6,784	68,216	(61,432)	-90%
Federal Revenues:				
Medi-Cal Administrative Activities	16,454	-	16,454	100%
California QRIS Certification	-	24,406	(24,406)	-100%
Pay for Success	-	102,135	(102,135)	-100%
Grants - Other	66,818	49,406	17,412	35%
Other income	9,020	2,215	6,805	307%
Total program revenues	<u>6,551,951</u>	<u>7,056,335</u>	<u>504,384</u>	<u>-7%</u>
General revenues:				
Interest earnings	103,658	257,627	(153,969)	-60%
Surplus Monetary Investment Funds (SMIF)	3,902	21,599	(17,697)	-82%
Unrealized gain (loss) on investments	(75,670)	(17,699)	(57,971)	328%
Total general revenues	<u>31,890</u>	<u>261,527</u>	<u>(229,637)</u>	<u>-88%</u>
Change in net position	2,041,362	1,668,124	373,238	22%
Net position, beginning of year	<u>14,349,767</u>	<u>12,681,643</u>	<u>1,668,124</u>	<u>13%</u>
Net position, end of year	<u>\$ 16,391,129</u>	<u>\$ 14,349,767</u>	<u>\$ 2,041,362</u>	<u>14%</u>

The Commission planned for a decrease in net position, utilizing funds from prior years' distributions to support program services in the current period. Revenues sufficiently covered expenses, therefore, the resources from the existing fund balance were not drawn upon in the current period. With consideration given to the unrealized loss on investments as a result of fair value adjustments, the change in net position (current period revenues less expenses) was \$2,041,362.

In FY 2020-21, the Commission spent \$3,749,288 on program services compared to \$4,886,480 in the prior year, a decrease of \$1,137,192 or 23%. This decrease is attributed to: 1) no longer serving as the fiscal pass-through for First 5 California's IMPACT Hub program, which required processing reimbursements to Hub partner agencies; 2) a one-time cost in the prior year for a preschool facility; and 3) certain grants and programs concluding. The decrease is offset by a higher spending level for preschool scholarships and carrying out more evaluation projects.

Program evaluation (Results-Based Accountability) includes expenses for the data software system, external evaluation services, and staffing/operating expenses for the coordination of evaluation activities. Expenses for this year in the amount of \$238,088 were higher than the prior year, which came in at \$170,831. The increase in expenses is primarily due to intensified efforts related to evaluation activities.

In FY 2020-21, administrative expenses were \$551,495 compared to \$582,410 spent in the prior year. Administrative expenses in the current period were lower than budgeted, coming in at 84% of the administrative budget. On a modified accrual basis of accounting, which is the method used for establishing the Commission's administrative cost, the rate came in at 11.9%, just below the established target of 12% of total operating costs.

The Commission received program revenues totaling \$6,551,951 in FY 2020-21, a decrease of 7%, or \$504,384, compared to the prior year's total program revenues of \$7,056,335. The overall decrease in program revenues is primarily due to no longer serving as the fiscal pass-through entity for First 5 California's IMPACT Hub program and funding for time-limited grants that concluded in the prior year. The decrease is offset by an increase in the tobacco tax distribution.

The Commission received grant funding for a variety of projects in FY 2020-21 to successfully leverage Proposition 10 funding. These grants enhanced and supported the Commission efforts on increasing awareness of Adverse Childhood Experiences (ACEs), Medi-Cal leveraging, the prenatal to three agenda, and Census outreach to families with young children in Ventura County.

The general revenues (from interest earnings), without consideration of the unrealized loss on investments as a result of fair value adjustments, in FY 2020-21 were \$107,560, compared to \$279,226 in the prior year. This 61% decrease is a result of declining interest rates and lower interest earnings in the current period, even with higher cash balances upon which to earn interest. The majority of these interest earnings come from the Commission's funds that are maintained in the Ventura County Treasury Investment Pool. The annual average of quarterly interest rates was 0.58% in FY 2020-21 for funds invested in the County investment pool, compared to the average rate of 2.0% in the prior year.

The Commission recognized a change in fair value with an unrealized loss on investments of \$75,670 in FY 2020-21, compared to the decrease in fair value of \$17,699 recorded in the prior year. With this loss in fair value for FY 2020-21, the Commission's overall investment portfolio at June 30, 2021 reflects an unrealized loss of \$24,700.

The Commission's financial position increased by \$2.0 million in the current period. The overall financial condition of the Commission remains strong. A portion of the Commission's net position will be used to fill the gap between revenues and designated spending levels in subsequent years.

BUDGETARY HIGHLIGHTS

OPERATING FUND

As presented in the accompanying "Budgetary Comparison Schedule – Operating Fund" on page 22, the Commission projected \$5.9 million in total revenues. Actual revenues earned for the fiscal year ended June 30, 2021 in the Operating Fund were \$7.2 million. Of total revenues, Proposition 10 tobacco tax distributions had been originally budgeted at \$5.2 million. A forecast prepared in April 2021 estimated these revenues at \$6.0 million based on a 4% decline rate applied to the actual tobacco tax distributions earned in the prior year.

For FY 2020-221, actual Proposition 10 revenues came in at \$6.5 million, which reflects an increase of 3.6% compared to the prior year. Statewide, Proposition 10 revenues increased by 3.1%. Locally, this increase was 0.5% higher because Ventura County experienced a slightly greater percent distribution of statewide births (1.987% in FY 2020-21 compared to 1.976% in FY 2019-20). Furthermore, the annual backfill from Proposition 56 of \$1.49 million was \$51,000 higher compared to the prior year. In addition to tobacco tax revenues, the Commission received \$577,858 in revenues related to the First 5 California IMPACT Hub program. While expenditure activity related to these revenues had occurred in the prior year, recording of revenues was delayed until they were available for spending which occurred in FY 2020-21. Funds had been budgeted for processing a new round of IMPACT Hub reimbursements in FY 2020-21, however, another partner in Region 7 was able to serve as the fiscal pass-through entity. The Commission received \$83,000 in grant funding and other income during FY 2020-21.

In FY 2020-21, the Commission budgeted just under \$8.0 million for Operating Fund expenditures. Actual expenditures in the Operating Fund came in at \$4.5 million. Aside from lower spending levels caused by the pandemic, additional factors contributed to the overall budget variance of \$3.5 million, including: 1) the transition of the Neighborhoods for Learning initiative from being contracted-out to being implemented in-house by the Commission; 2) continued ramp up of the Help Me Grow program; 3) lower enrollment and winding down of preschool services, which concluded on June 30, 2021; 4) delaying implementation of challenge grants, technical assistance services for alternative parent and child together settings, and certain evaluation projects/education campaigns; and 5) some partial staff vacancies and cost savings in the Commission's internal cost centers.

The Commission also budgeted for a transfer of \$8,445 from the Community Investment Loan Fund in excess interest earnings for the fiscal year ended June 30, 2021. The actual transfer from the Community Investment Loan Fund to the Operating Fund was \$9,810, which represents excess interest earnings from FY 2019-20.

Revenues and the transfer sufficiently covered expenditures, therefore, the resources from the existing fund balance were not drawn upon in the current period.

COMMUNITY INVESTMENT LOAN FUND

The Community Investment Loan Fund (Loan Fund), launched in 2008, provides low-cost capital for facilities development, including planning, construction and amortized loans to create new early care and education spaces. The Commission's implementation partner for the loan fund is the Economic Development Collaborative – Ventura County. As presented in the accompanying "Budgetary Comparison Schedule – Community Investment Loan Fund" on page 23, the Commission allocated \$535,000 in FY 2020-21 for the Community Investment Loan Fund. Of that amount, \$500,000 was budgeted for loan disbursements.

This Fund has issued six (6) loans since its inception, totaling \$1,196,868, creating a total of 343 new early care and education spaces in high need areas. Despite the closures resulting from COVID-19, most loans continued to fulfill their obligations with only minimal disruption in remitting payments for one borrower. This borrower continued to face challenges and a modified repayment structure for the loan deferral is in process. While new loans and their associated earned interest and inflows of repayments were anticipated, no additional loans were processed by June 30, 2021.

Actual revenues earned in FY 2020-21 for the Community Investment Loan Fund represent interest earnings of \$29,148, lower than the \$44,690 budgeted due to 1) estimating interest earnings on new loans that did not occur and 2) lower interest rates on funds maintained in the County investment pool. Since no loans were issued in FY 2020-21, there were no loan origination fees. Revenues in the current period almost fully cover actual expenditures of \$31,769 for costs related to implementing the loan fund. As additional loans are issued and market conditions improve, interest earnings are expected to more than cover the costs related to operating the Loan Fund. Interest earnings that exceed the amount needed to operate the Loan Fund are subsequently transferred to the Operating Fund to help sustain program funding levels.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the current fiscal year, the Commission did not have any capital assets.

Debt Administration

At the end of the current fiscal year, the Commission had long-term obligations outstanding consisting of compensated absences of \$99,845.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

In FY 2021-22, the Commission will implement the first funding year of its two-year strategic plan extension that was adopted in June 2020. The strategic plan maintains key investments in Neighborhoods for Learning, Help Me Grow, and systems-building throughout the county to improve child outcomes in each priority area. The overall local investment is budgeted at \$6.8 million inclusive of the Operating Fund and the Community Investment Loan Fund. Strategic investments include \$3.2 million annually for place-based services focused on Parent and Child Together programs (PACT) and family support services through the Neighborhoods for Learning Initiative. The remainder of funds will be invested in countywide linkage to resources and early intervention, program and systems integration, results-based accountability, and administration. Additionally, emerging needs resulting from the pandemic will continue to be monitored and addressed by the Commission as relevant.

The Commission updated its long-range financial plan in April 2021. The plan provides a substantial investment in the county's early childhood system. The work with community partners will continue to expand as the Commission focuses on playing a critical role in shaping the system of care for young children, and in particular for Ventura County's most vulnerable populations. For funding years 2021-22 through 2022-23, the Commission has allocated \$12 million dollars over the two-year period. With a continued investment focusing on systems-building and advocacy, these resources will be blended with direct services to have a greater impact on the early childhood system of care. Investments for direct services include parent and child together programming, family support, linkage to resources, and early intervention. Systems-building efforts include collaborative partnerships to integrate services, training and capacity building, parent engagement, and building best practices and quality standards for improved outcomes for young children. The strategic direction applies a program and systems integration approach to all of the strategic priorities: comprehensive child health, strong and resilient families, and quality early learning. Subsequent to June 30, 2023, the financial plan forecasts a three-year total spending level of \$20 million with continued investments in place-based services, countywide linkage to resources and early intervention, systems change, results-based accountability, program management, and administration.

Future annual revenues from the Proposition 10 apportionments are expected to continue to decline due to the decrease in the amount of tobacco sales within the State, smokers purchasing tobacco via the Internet, illegal sales of tobacco, and state administrative costs for tax collection and fund management. The financial impact of the pandemic is uncertain. First 5 Commissions are a voter-initiative and not subject to the State budget process, however, the current economic climate may have an impact on tobacco consumption and related tax revenues. The Commission will continue to consider strategies for building its financial resources and identify opportunities for supporting services for young children in Ventura County. To prepare for decreases in future years' revenues, the Commission closely monitors and periodically revises its long-term financial plan.

SUMMARY

Brain research clearly tells us that ages 0-5 are critical years for developing lifelong social, emotional and learning skills. While this period is absolutely key to a child's development, it is also where public investments are the lowest. Together with parents, school districts, community leaders, and social and healthcare agencies, First 5 Ventura County works to fill the gaps through its network of essential services for young children and their families - a network that strengthens futures for children, families and communities. The Commission's local investment and leveraged funding resulted in a total investment of \$4.5 million for FY 2020-21. The Commission and its partners will continue to serve children and families and improve the system of care in Ventura County.

This financial report is designed to provide the public with an overview of the Commission's financial operations and conditions. If you have questions about this report or need additional financial information, please contact First 5 Ventura County (Children and Families First Commission of Ventura County), 2580 E. Main Street, Suite 203, Ventura, CA 93003, (805) 648-9990.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

ASSETS

Cash and investments	\$ 16,064,673
Due from other governments	411,865
Loans receivable	577,891
Accounts receivable	41,487
Program receivable	1,018
Interest receivable	34,771
Prepaid expenses	<u>25,190</u>
Total assets	<u>\$ 17,156,895</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities:

Accounts and contracts payable	\$ 550,123
Accrued wages and benefits	115,798

Long-term Liabilities:

Due within one year:

Compensated absences	<u>99,845</u>
----------------------	---------------

Total liabilities	<u>765,766</u>
-------------------	----------------

NET POSITION

Unrestricted	<u>16,391,129</u>
--------------	-------------------

Total liabilities and net position	<u>\$ 17,156,895</u>
------------------------------------	----------------------

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

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

EXPENSES

Program expenses:

Neighborhoods for Learning	\$ 2,296,466
Countywide Preschool Strategies	374,957
Program & Systems Integration	825,021
Countywide Linkage to Resources & Early Intervention	221,075
Community Investment Loan Fund - Implementation	31,769
Evaluation expenses - Results-Based Accountability	238,088
Administration expenses	551,495
Equipment replacement	3,608
Total expenses	<u>4,542,479</u>

REVENUES

Program revenues:

Proposition 10 tax distribution	6,455,875
First 5 California IMPACT Program	(3,000)
Pritzker Children's Initiative	6,784
Federal grant revenue:	
Medi-Cal Administrative Activities (MAA)	16,454
Grants - Other	66,818
Other	9,020
Total program revenues	<u>6,551,951</u>

Net revenue (expense) 2,009,472

General revenues:

Interest earnings	103,658
Proposition 10 SMIF	3,902
Unrealized gain (loss) on investments	<u>(75,670)</u>
Total general revenues	<u>31,890</u>

Change in net position 2,041,362

Net position, beginning of year 14,349,767

Net position, end of year \$ 16,391,129

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

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2021

	Operating Fund	Community Investment Loan Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 15,384,856	\$ 679,817	\$ 16,064,673
Due from other governments	411,865	-	411,865
Loans receivable	-	577,891	577,891
Accounts receivable	41,087	400	41,487
Program receivable	1,018	-	1,018
Interest receivable	15,546	19,225	34,771
Prepaid expenses	25,190	-	25,190
Total assets	<u>\$ 15,879,562</u>	<u>\$ 1,277,333</u>	<u>\$ 17,156,895</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts and contracts payable	\$ 538,980	\$ 11,143	\$ 550,123
Accrued wages and benefits	115,798	-	115,798
Compensated absences	-	-	-
Total liabilities	<u>654,778</u>	<u>11,143</u>	<u>665,921</u>
Deferred inflows of resources:			
Unavailable revenue	16,454	-	16,454
Fund balance:			
Nonspendable	25,190	577,891	603,081
Restricted	-	-	-
Committed	15,183,140	688,299	15,871,439
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<u>15,208,330</u>	<u>1,266,190</u>	<u>16,474,520</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 15,879,562</u>	<u>\$ 1,277,333</u>	<u>\$ 17,156,895</u>
Total fund balance from above			\$ 16,474,520
Amounts reported for governmental activities in the statement of net position are different because:			
As the focus of the governmental funds are on short-term financing, some assets will not be available to pay current expenditures. Those assets (receivables) are offset by unavailable revenue in the governmental fund.			16,454
Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and therefore are not reported in the governmental fund.			(99,845)
Net position of governmental activities			<u>\$ 16,391,129</u>
The accompanying notes are an integral part of these financial statements.			

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Operating Fund	Community Investment Loan Fund	Total Governmental Funds
REVENUES			
Program revenues:			
Proposition 10 tax distribution	\$ 6,455,875	\$ -	\$ 6,455,875
First 5 California IMPACT Program	577,858	-	577,858
Pritzker Children's Initiative	6,784	-	6,784
Federal grant revenue:			
Medi-Cal Administrative Activities (MAA)	-	-	-
Grants - Other	66,818	-	66,818
Other	9,020	-	9,020
Total program revenues	<u>7,116,355</u>	<u>-</u>	<u>7,116,355</u>
General revenues:			
Interest earnings	74,510	29,148	103,658
Proposition 10 SMIF	3,902	-	3,902
Unrealized gain (loss) on investments	(72,626)	(3,044)	(75,670)
Total general revenues	<u>5,786</u>	<u>26,104</u>	<u>31,890</u>
Total revenues	<u>7,122,141</u>	<u>26,104</u>	<u>7,148,245</u>
EXPENDITURES			
Program expenditures:			
Neighborhoods for Learning	2,287,962	-	2,287,962
Countywide Preschool Strategies	374,957	-	374,957
Program & Systems Integration	820,671	-	820,671
Countywide Linkage to Resources & Early Intervention	221,075	-	221,075
Community Investment Loan Fund - Implementation	-	31,769	31,769
Evaluation expenditures - Results-Based Accountability	238,088	-	238,088
Administrative expenditures	539,568	-	539,568
Equipment replacement	3,608	-	3,608
Total expenditures	<u>4,485,929</u>	<u>31,769</u>	<u>4,517,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,636,212</u>	<u>(5,665)</u>	<u>2,630,547</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,810	-	9,810
Transfers out	-	(9,810)	(9,810)
Total other financing sources and uses	<u>9,810</u>	<u>(9,810)</u>	<u>-</u>
Net change in fund balance	2,646,022	(15,475)	2,630,547
Fund balance, beginning of year	<u>12,562,308</u>	<u>1,281,665</u>	<u>13,843,973</u>
Fund balance, end of year	<u>\$ 15,208,330</u>	<u>\$ 1,266,190</u>	<u>\$ 16,474,520</u>

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

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - concluded
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Net change in fund balance - total governmental funds	\$ 2,630,547
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the governmental fund's statement that do not provide current financial resources are not reported as revenue in the fund.	16,454
Deferred inflows of resources in the governmental fund's statement that provide current financial resources are reported as revenue in the fund. These revenues were recognized in the prior year on the statement of activities because they are not limited by availability.	(580,858)
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	<u>(24,781)</u>
Change in net position of governmental activities	<u>\$ 2,041,362</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Children and Families First Commission of Ventura County (Commission), known as First 5 Ventura County, was established by the Ventura County Board of Supervisors in 1998 under the provisions of the California Children and Families First Act of 1998 (the Act). 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's programs are primarily funded by taxes levied by the State of California on tobacco products. Any change to the tobacco tax revenue impacts the Commission's ability to perform services.

The Commission is administered by a governing board of nine voting members. The Ventura County Board of Supervisors appoints the commissioners as follows:

- a. One member of the Board of Supervisors.
- b. Two members recommended by the County Executive Officer responsible for management of the County's children's services, public health services, behavioral health services, social services and tobacco or other substance abuse prevention and treatment services.
- c. A representative recommended by the Child Care Planning Council.
- d. The remaining five members shall be selected from members of the Community Commission of Ventura County, nominated, one each, by the members of the Board of Supervisors, who are either described in (b) above or are: (1) recipients of project services included in the Commission's strategic plan, (2) educators specializing in early childhood development, (3) representatives of a local child care resource or referral agency or child care coordinating group, (4) representatives of a local organization for prevention or early intervention for families at risk, (5) representatives of community-based organizations that have the goal of promoting nurturing and early childhood development, (6) representative of local school districts, or (7) representatives of local medical, pediatric, or obstetric associations or societies.

The Commission is considered a legal public entity separate from the County of Ventura (County). However, the Commission is a component unit of the County for financial reporting purposes.

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

Basis of Presentation and Accounting and Measurement Focus

The basic financial statements of the Commission are composed of the following:

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

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (Governmental Accounting Standards Board).

Government-wide Financial Statements – The government-wide financial statements consist of the statement of net position and the statement of activities and display information about the primary government (the Commission).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The statement of activities presents a comparison of direct expenses and program revenues for the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include grants that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented as general revenues.

Fund Financial Statements – The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance. These statements are presented on a current-financial resources measurement focus. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal year. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Commission reports only governmental funds as follows:

Operating Fund – The Operating Fund accounts for the legally authorized activities of the Commission not provided for in other specialized funds. For financial reporting information, the Operating Fund includes the state distribution and investment revenues and program, evaluation, and administration expenditures.

Community Investment Loan Fund – The Community Investment Loan Fund accounts for those funds set aside by terms of the Commission's strategic plan for programs related to providing financing for facilities development of licensed quality child care and preschool.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Cash and Investments

The Commission participates in an external investment trust fund managed by the County of Ventura Treasurer. The County Treasurer's investment pool is defined in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The external investment pool commingles the moneys of more than one legally separate entity and invests on the participant's behalf in an investment portfolio for the purpose of increasing investment earnings. Interest earned on the pooled funds is allocated and credited to these funds quarterly. The Commission is required to deposit, but is not required to maintain, the state distributions of the tobacco tax in the County Treasury.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years. Such assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. There were no capital assets at June 30, 2021.

Compensated Absences

The Commission has estimated vested liabilities for compensated absences to be \$99,845 as of June 30, 2021. Compensated absence obligations are reported in the fund financial statements as expenditures in the period paid. The estimated liabilities have been accrued in the government-wide financial statements and are included in long-term liabilities.

Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

Equity

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. The Commission did not have any of its net position invested in capital assets at June 30, 2021.
- Restricted net position – Consists of net position with legal limitations imposed on their use by County or State Ordinance and external restrictions by other governments, creditors or grantors. There were no restrictions of net position as of June 30, 2021.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The Commission follows the provisions of GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” Accordingly, fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., prepaid expenses or inventory) or (b) legally or contractually required to be maintained intact (e.g., resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment).
- Restricted fund balance - includes resources that are subject to constraints for which there are externally enforceable legal restrictions (e.g., funding from the State Commission or foundations that are legally restricted to specific uses; funds legally restricted by County, state, or federal legislature, or a government’s charter or constitution; amounts collected from non-spendable items, such as the long-term portion of loan outstanding, if those amounts are also subject to legal constraints).
- Committed fund balance - includes amounts that can only be used for specific purposes pursuant to limitations imposed by the Board of Commissioners. Formal action is required by the Board of Commissioners to commit, to modify or remove the commitment. Committed fund balance also includes the minimum fund balance whereby up to six months of operating funds shall be maintained.
- Assigned fund balance - includes amounts that are constrained by the Commission’s intent to be used for specific purposes, but are neither restricted nor committed. Unless formal authority is delegated to another appointed body or official by the Board of Commissioners, the Board of Commissioners shall be the level of authority to allocate resources to the assigned category.
- Unassigned fund balance - includes fund balance that has not been classified into any of the other categories.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The Commission is legally required to prepare and submit a budget of expected expenditures to the Ventura County Board of Supervisors and the Ventura County Children, Family, and Community Commission for their review and comment. The Commission’s fiscal year 2020-21 budget was reviewed by the Ventura County Board of Supervisors and the Community Commission for Ventura County on June 16, 2020 and June 10, 2020, respectively.

The budget is prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. The budgetary basis of accounting is different from generally accepted accounting principles because for budgetary purposes investment earnings are recognized when earned. Under generally accepted accounting principles, investments and investment earnings include changes in fair values.

The accompanying Budgetary Comparison Schedule - Operating Fund and Budgetary Comparison Schedule - Community Investment Loan Fund include the budgeted expenditures and transfers for the year, along with management's estimate of revenues for the year. Budgetary control is exercised at the fund level.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In June 2017, the GASB issued Statement of Governmental Accounting Standard No. 87 "Leases" which amends the accounting and financial reporting for leases. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the standard, a lessee will be required to recognize a lease liability and an intangible right-to-use asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 was to be effective for the year ending June 30, 2021, however, GASB Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance" postponed the effective date to provide temporary relief to governments and stakeholders in light of the pandemic. The requirements of this statement are effective immediately. Therefore, the Commission has implemented GASB Statement No. 95, which postpones the effective date for GASB Statement No. 87 by 18 months. This standard is now required to be implemented for the fiscal year ending June 30, 2022.

Subsequent Events

The Commission has evaluated subsequent events through October 11, 2021, the date which the financial statements were available to be issued. There were no subsequent events to disclose.

2. CASH AND INVESTMENTS

The Commission's carrying value of deposits with a bank was \$214,464 at June 30, 2021. The corresponding bank balance was \$226,183. Bank balances up to \$250,000 are covered by the Federal Deposit Insurance Corporation. Any remaining uninsured balance is covered by a written collateral agreement with the financial institution whereby any uninsured deposits will be collateralized with eligible securities having a market value of at least 110% of the amount of the deposits.

At June 30, 2021, the Commission had \$15,850,108 held in an external investment pool in the County of Ventura. Investments are stated at fair value, per GASB Statement No. 31 requiring fair value reporting of all investments. The fair value of the County's pooled investments was determined by the County's investment advisory firm. The Commission's investments include recognized but unrealized net loss of \$24,700 as of June 30, 2021. Because the County's investment practice is to generally hold investments until maturity, the amount to be collected over the life of the security is known and the risk of market losses is minimized. Therefore, while potential gains or losses are recognized and reported because of the County's investment policy, they are not anticipated to be realized.

The Commission is authorized under California Government Code to make direct investments. In January 2009, the Commission adopted an investment policy to provide for the prudent investment of funds and the effective management of investment activities, including short-term investments to meet daily cash flow requirements and long-term investments to meet future goals. The policy was updated in April 2019. A minimum of six months of operating funds must be maintained in the Ventura County Treasury Investment Pool or the Local Agency Investment Fund (LAIF). Any remaining funds beyond one year of operating funds may be invested in the Ventura County Treasury Investment Pool or elsewhere as outlined in the *Eligible, Authorized, and Suitable Investments* section of the policy. An investment plan is developed and approved annually by the Commission. All funds are currently being invested in the Ventura County Investment Pool. Reaffirmed in December 2020, the County portfolio has continually maintained a rating of AAf by Standard & Poor's (S&P), the highest possible rating given by the agency. The rating reflects S&P's opinion that the portfolio is well-managed, creditworthy, well-diversified, and has a low sensitivity to interest rate variations.

The portfolio was rated S1+, also the highest ranking given by S&P, for maintaining sufficient liquidity to meet cash flow needs.

The County Treasurer maintains a cash investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Interest is apportioned to the Commission based on the average daily balances on deposit with the County Treasurer. Investment earnings are accrued at year-end.

The County Treasurer invests Commission funds in accordance with the state statutes and the County's investment policy as approved by the Treasury Oversight Committee and the County Board of Supervisors. The policy emphasizes safety, liquidity, and yield and follows the "prudent investor rule." The County Treasurer is authorized by Government Code Section 53635 to invest in U.S. Government Treasury and Agency Securities, certain commercial paper, bankers' acceptances, corporate bonds and notes, repurchase agreements and the State Treasurer Local Agency Investment Fund.

The external investment pool held with the County of Ventura categorizes its fair value measurements within their fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of June 30, 2021, the Commission held no individual investments. All funds are invested in the Ventura County Investment Pool. The Commission's proportionate share of investments in the Ventura County Investment Pool at June 30, 2021 of \$15,850,108 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The County of Ventura's financial statements may be obtained by contacting the County of Ventura's Auditor-Controller's office at 800 South Victoria Avenue, Ventura, CA 93009.

3. DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2021 consisted of amounts due to the Commission from the California Children and Families Commission (also known as First 5 California) and from the County of Ventura as a claiming unit for Medi-Cal Administrative Activities (MAA) as follows:

Tobacco tax revenues for June	\$395,411
MAA reimbursement for January - June	<u>16,454</u>
Total due from other governments	<u>\$411,865</u>

4. LOANS RECEIVABLE

The Community Investment Loan Fund provides low-cost capital for facilities development, including planning, construction and amortized loans to create new early care and education spaces. As of June 30, 2021, the Commission had issued six loans to preschool providers which were granted under the provisions of the Community Investment Loan Fund. One loan settled its liability in FY 2019-20 along with another in FY 2018-19, therefore, there were four active loans at June 30, 2021.

The loans bear interest at 4.25% per year and are secured by all assets of the business; personal guarantees; and, for two of the loans, a deed of trust. Three of the loans are fully amortized over seven (7) years with maturity dates through January 2026. One loan, which began as an amortizing loan, is being deferred. The structure for repayments is in process of being determined. Notes receivable are evaluated for collectability. No provision for loss was considered necessary by management at June 30, 2021. Additional distribution of loan funds is budgeted for the fiscal year ending June 30, 2022. The loans are administered by the Economic Development Collaborative.

5. OPERATING LEASE

The Commission leases office space from a third party under a lease which expires in December 2021. Monthly rental payments of \$3,495 are due through December 2021. Rent expense totaled \$63,531 for the year ended June 30, 2021.

6. RETIREMENT PLAN

The Commission has established a 401(a), a defined contribution plan, and a 457, a deferred compensation plan, through International City/County Management Association Retirement Corporation (ICMA RC). The 401(a) and 457 plans are administered by the Commission with the 401(a) for employer contributions and the 457 for employee contributions. Benefit terms are established and may be amended by the Commission. The 457 plan is administered in accordance with Internal Revenue Code (IRC) Section 457.

The Commission contributes 3% of an employee's salary earnings for all regular classified employees that are regularly scheduled to work 20 hours or more per week. The Commission matches additional contributions, up to 4%, for every percent that the employee contributes to their 457 plan. The maximum contribution by the Commission is 7%. The Commission provides immediate 100% vesting for the participants. The retirement contribution by the Commission for the fiscal year ended June 30, 2021 was \$74,298. All contributions made to the 457 plan are solely at the discretion of the employees.

7. INTERFUND TRANSFERS

Any earned interest that exceeds the amount needed to operate the Community Investment Loan Fund are transferred to the Operating Fund to help maintain program funding levels. In the fiscal year ended June 30, 2021, the Commission transferred in \$9,810 to the Operating Fund from the Community Investment Loan Fund, which represents excess interest earnings resulting from the prior fiscal year ended June 30, 2020.

8. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to general liability and workers' compensation. The Commission has general liability insurance to \$1,000,000 per occurrence. There have been no settlements nor are there any claims that are expected to result in a settlement.

9. LONG-TERM LIABILITIES

Long-term liabilities balances and transactions for the fiscal year ended June 30, 2021 are as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$75,064	\$24,781	-	\$99,845	\$99,845

10. ECONOMIC DEPENDENCY

The Commission is largely dependent on Proposition 10 tobacco tax funds for its revenue. Any reduction to the tobacco tax revenue impacts the Commission's ability to fund services.

11. RELATED PARTY TRANSACTIONS

Certain members of the Commission are contractors, directors, or employees of agencies that are funded by the Commission and, accordingly, may receive payments or compensation from those agencies. For the fiscal year ended June 30, 2021, the Commission entered into contracts with these agencies to provide funding of \$611,826. Amounts paid under these contracts amounted to \$357,343. The Commission's conflict of interest policy prohibits a commissioner from any decision-making process that involves a related agency.

12. PROGRAM EVALUATION – RESULTS-BASED ACCOUNTABILITY

The Commission spent \$238,088 on program evaluation during the year ended June 30, 2021 which includes the data software system, the annual evaluation report, evaluation projects, and coordination of evaluation activities.

13. COMMITMENTS - FUNDING FOR PURCHASE OF FIXED ASSETS AND INFRASTRUCTURE PROJECTS

The Commission adopted a policy in 2000 to provide for the granting of funds for the acquisition of fixed assets (commonly known as capital assets). In February 2012, the Commission amended the policy and incorporated provisions for infrastructure projects. In connection with this policy, any funds granted for the purchase of fixed assets or infrastructure projects over \$5,000 are structured as no-interest forgivable loans for each year that the grant recipient remains in business and continues operation of the program for which the asset was purchased or the infrastructure investment was made. The Commission recognizes the funding for the acquisition of fixed assets as program expenditures in the year granted. Grant recipients are expected to continue operations of the program for the determined length of time for which the asset was purchased or the infrastructure project was made.

As of June 30, 2021, the Commission had active contracts totaling \$731,431 for the purchase of fixed assets and infrastructure projects with \$474,193 remaining to be forgiven through September 30, 2029.

REQUIRED SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual on	Variance
	Original	Final	Budgetary	with Final
			Basis	Budget
REVENUES				
Program Revenues:				
Proposition 10 tax distribution	\$ 5,234,075	\$ 5,234,075	\$ 6,455,875	\$ 1,221,800
First 5 California IMPACT Program	363,570	363,570	577,858	214,288
Pritzker Children's Initiative	6,800	6,800	6,784	(16)
Federal grant revenue:				
Medi-Cal Administrative Activities (MAA)	-	-	-	-
Grants - Other	16,670	16,670	66,818	50,148
Other	32,500	32,500	9,020	(23,480)
Total program revenues	<u>5,653,615</u>	<u>5,653,615</u>	<u>7,116,355</u>	<u>1,462,740</u>
General revenues:				
Interest earnings	202,855	202,855	74,510	(128,345)
Proposition 10 SMIF	-	-	3,902	3,902
Total general revenues	<u>202,855</u>	<u>202,855</u>	<u>78,412</u>	<u>(124,443)</u>
Total revenues	<u>5,856,470</u>	<u>5,856,470</u>	<u>7,194,767</u>	<u>1,338,297</u>
EXPENDITURES				
Program expenditures:				
Neighborhoods for Learning (NfL)	2,900,000	3,350,000	2,287,962	1,062,038
Countywide Preschool Strategies	1,440,000	1,440,000	374,957	1,065,043
Program & Systems Integration	1,467,615	1,467,615	820,671	646,944
Countywide Linkage to Resources & Early Intervention	365,000	365,000	221,075	143,925
Challenge Grants	400,000	400,000	-	400,000
Evaluation expenditures - Results-Based Accountability	257,000	297,000	238,088	58,912
Administrative expenditures	645,000	645,000	539,568	105,432
Equipment replacement	5,000	5,000	3,608	1,392
Total expenditures	<u>7,479,615</u>	<u>7,969,615</u>	<u>4,485,929</u>	<u>3,483,686</u>
OTHER FINANCING SOURCES (USES)				
Transfers in - from Community Investment Loan Fund	8,445	8,445	9,810	1,365
Total other financing sources (uses)	<u>8,445</u>	<u>8,445</u>	<u>9,810</u>	<u>1,365</u>
Net change in fund balance	<u>\$ (1,614,700)</u>	<u>\$ (2,104,700)</u>	<u>\$ 2,718,648</u>	<u>\$ 4,823,348</u>
BUDGET-TO-GAAP RECONCILIATION:				
Actual revenue on a budgetary basis			\$ 7,194,767	
Differences - budget to GAAP:				
For budgetary purposes, investment earnings do not include unrealized gains and losses.			(72,626)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance.			<u>\$ 7,122,141</u>	

See accompanying notes to the basic financial statements and auditor's report.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

BUDGETARY COMPARISON SCHEDULE - COMMUNITY INVESTMENT LOAN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES/INFLOWS				
Loan repayments	\$ 123,320	\$ 123,320	\$ 84,991	\$ (38,329)
Loan fees	10,000	10,000	-	(10,000)
Total revenues/inflows	<u>133,320</u>	<u>133,320</u>	<u>84,991</u>	<u>(48,329)</u>
General revenues:				
Interest earnings	<u>44,690</u>	<u>44,690</u>	<u>29,148</u>	<u>(15,542)</u>
Total revenues/inflows	<u>178,010</u>	<u>178,010</u>	<u>114,139</u>	<u>(63,871)</u>
EXPENDITURES/OUTFLOWS				
Loan implementation	35,000	35,000	31,769	3,231
Loan disbursements	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total expenditures/outflows	<u>535,000</u>	<u>535,000</u>	<u>31,769</u>	<u>503,231</u>
OTHER FINANCING SOURCES (USES)				
Transfers out - to Operating Fund	<u>(8,445)</u>	<u>(8,445)</u>	<u>(9,810)</u>	<u>(1,365)</u>
Net change in fund balance	<u>\$ (365,435)</u>	<u>\$ (365,435)</u>	<u>\$ 72,560</u>	<u>\$ 437,995</u>
BUDGET-TO-GAAP RECONCILIATION:			Actual on Budgetary Basis	
Actual revenues/inflows on a budgetary basis			\$ 114,139	
Differences - budget to GAAP:				
For GAAP purposes, loan repayments are not recognized as revenue.			(84,991)	
For budgetary purposes, investment earnings do not include unrealized gains and losses.			<u>(3,044)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance.			<u>\$ 26,104</u>	

See accompanying notes to the basic financial statements and auditor's report.

OTHER 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 Commissioners and Administration/Finance Committee
Children and Families First Commission of Ventura County
Ventura, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Children and Families First Commission of Ventura County (Commission), a component unit of the County of Ventura, California, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 11, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
October 11, 2021

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Commissioners and Administration/Finance Committee
Children and Families First Commission of Ventura County
Ventura, California

Compliance

We have audited the Children and Families First Commission of Ventura County (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 fiscal year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above has 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 Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the fiscal year ended June 30, 2021.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
October 11, 2021