

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION

AUDIT REPORT
JUNE 30, 2021



HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION

EUREKA, CALIFORNIA

JUNE 30, 2021

COMMISSION MEMBERSHIP

NAME	POSITION	TERM EXPIRES
Lorey Keele (Co-Chair)	Community Services Director, Redwood Community Action Agency	January 2022
Connie Sundberg (Co-Chair)	Division Director, Changing Tides Family Services	December 2021
Maya Stuart (Vice Chair)	Parent Representative	October 2021
Megan Blanchard	Public Health Nursing Director, Public Health Branch, Dept. of Health and Human Services	December 2024
Michelle Bushnell	Humboldt Board of Supervisors	December 2021
Wendy Hill	Child Development Center, College of the Redwoods	January 2023
Veronica (Nica) Meggerson	Department of Health & Human Services Children & Family Services Social Services Branch	December 2024
Hyun-Kyung You	Child Development Department, Humboldt State University	January 2023

Executive Director

Mary Ann Hansen

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Humboldt County Children and Families Commission
Eureka, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Humboldt County Children and Families Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Humboldt County Children and Families Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Humboldt County Children and Families Commission, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of Commission contributions for pensions, be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humboldt County Children and Families Commission's basic financial statements. The organization table and combining financial statements listed in the table of contents are presented for purposes of additional analysis and are 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 December 02, 2021 on our consideration of Humboldt County Children and Families Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humboldt County Children and Families Commission's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 02, 2021

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

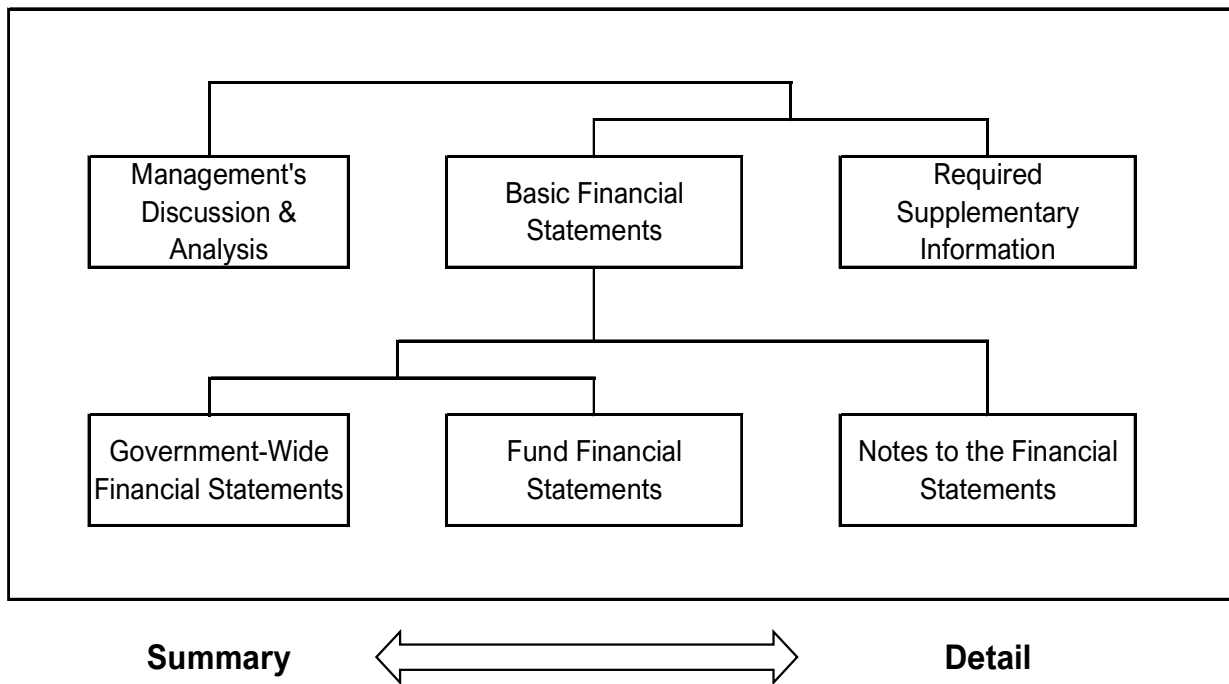
Our discussion and analysis of Humboldt County Children and Families Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The Commission's total net position was \$4,518,090 at June 30, 2021. This was an increase of \$99,949 from the prior year, after restatement.
- ▶ Overall program and general revenues were \$1,830,145 which was more than program expenses of \$1,730,196.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the Commission. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of Commission operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Commission's net position and how it has changed. Net position is one way to measure the Commission's financial health. Over time, increases or decreases in the Commission's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Commission include governmental activities. All of the Commission's basic services are included here, such as program services, evaluation expenses, and administrative expenses. State Children and Families Commission Proposition 10 funding finance most of these activities.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The Commission's net position was \$4,518,090 at June 30, 2021, as reflected in the table below. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Commission's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2021	2020	Net Change
ASSETS			
Current and other assets	\$ 5,264,006	\$ 5,378,971	\$ (114,965)
Total Assets	5,264,006	5,378,971	(114,965)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	479,773	143,587	336,186
Total Deferred Outflows of Resources	479,773	143,587	336,186
LIABILITIES			
Current liabilities	301,206	461,895	160,689
Long-term liabilities	881,522	517,112	(364,410)
Total Liabilities	1,182,728	979,007	(203,721)
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	42,961	83,716	(40,755)
Total Deferred Inflows of Resources	42,961	83,716	(40,755)
NET POSITION			
Restricted	4,518,090	4,459,835	58,255
Total Net Postion	\$ 4,518,090	\$ 4,459,835	\$ 58,255

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the Commission as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it, so you can see our total revenues and expenses, for the year.

	Governmental Activities		
	2021	2020	Net Change
REVENUES			
Program revenues			
Operating grants and contributions	\$ 1,758,656	\$ 1,826,387	\$ (67,731)
General revenues			
Other	71,489	57,804	13,685
Total Revenues	1,830,145	1,884,191	(54,046)
EXPENSES			
Program services	1,324,127	1,299,892	24,235
Implementation expenses			
Administrative expenses	406,069	387,361	18,708
Total Expenses	1,730,196	1,687,253	42,943
Change in net position	99,949	196,938	(96,989)
Net Position - Beginning, as restated	4,418,141	4,262,897	155,244
Net Position - Ending	\$ 4,518,090	\$ 4,459,835	\$ 58,255

The total expenses related to governmental activities this year were \$1,730,196 (refer to the table above).

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE COMMISSION’S MAJOR FUNDS

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed this year, its governmental funds reported a combined fund balance of \$4,962,800, which is more than this year’s restated beginning fund balance of \$4,875,382. The Commission’s General Fund had \$72,693 more in operating revenues than expenditures for the year ended June 30, 2021.

CURRENT YEAR BUDGET 2020-2021

During the fiscal year, budget revisions and appropriation transfers are presented to the Commission for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-2021 the Commission did not have capital assets over the capitalization threshold of \$5,000.

Long-Term Liabilities

At year-end, the Commission had \$881,522 in long-term liabilities, an increase of \$364,410 from last year – as shown in the table below. (More detailed information about the Commission’s long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2021	2020	Net Change
LONG-TERM LIABILITIES			
Compensated absences	\$ 23,224	\$ 11,449	\$ 11,775
Net pension liability	858,298	505,663	352,635
Total Long-term Liabilities	\$ 881,522	\$ 517,112	\$ 364,410

CONTACTING THE COMMISSION’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors 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 any additional financial information, contact First 5 Humboldt, 325 Second Street, Suite 201, Eureka, CA 95501.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,610,274
Accounts receivable	653,732
Total Assets	<u>5,264,006</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	479,773
Total Deferred Outflows of Resources	<u>479,773</u>
LIABILITIES	
Accrued liabilities	301,206
Long-term liabilities, non-current portion	881,522
Total Liabilities	<u>1,182,728</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	42,961
Total Deferred Inflows of Resources	<u>42,961</u>
NET POSITION	
Restricted	
Local initiatives and program sustainability	4,518,090
Total Net Position	<u>\$ 4,518,090</u>

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

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Governmental Activities
Program Revenues	
State Children and Families Commission - Prop 10	\$ 750,732
State Children and Families Commission - Impact Funds	71,236
State Children and Families Commission - Other	226,287
Other revenues	710,401
Total Program Revenues	<u>1,758,656</u>
Program Expenses	
Program services	1,324,127
Implementation expenses	
Administrative expenses	406,069
Total Program Expenses	<u>1,730,196</u>
Net Program Revenue (Expenses)	28,460
General Revenues	
Interest income	71,489
Total General Revenues	<u>71,489</u>
CHANGE IN NET POSITION	99,949
Net Position - Beginning, as restated	4,418,141
Net Position - Ending	<u>\$ 4,518,090</u>

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

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,337,384	\$ 272,890	\$ 4,610,274
Accounts receivable	617,491	36,241	653,732
Total Assets	\$ 4,954,875	\$ 309,131	\$ 5,264,006
LIABILITIES			
Accrued liabilities	\$ 287,723	\$ 13,483	\$ 301,206
Total Liabilities	287,723	13,483	301,206
FUND BALANCES			
Restricted			
First 5 CA funds	-	295,648	295,648
Committed			
Sustainability fund	3,274,602	-	3,274,602
Programs and program services	1,392,550	-	1,392,550
Total Fund Balances	4,667,152	295,648	4,962,800
Total Liabilities and Fund Balances	\$ 4,954,875	\$ 309,131	\$ 5,264,006

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

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2021**

Total Fund Balance - Governmental Funds \$ 4,962,800

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Long-term liabilities:

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 consist of:

Compensated absences	\$ 23,224	
Net pension liability	858,298	(881,522)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 479,773	
Deferred inflows of resources related to pensions	(42,961)	436,812

Total Net Position - Governmental Activities \$ 4,518,090

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
State Children and Families Commission - Prop 10	\$ 750,732	\$ -	\$ 750,732
State Children and Families Commission - Impact Funds	-	71,236	71,236
State Children and Families Commission - Other	226,287	-	226,287
Other revenues	700,793	9,608	710,401
Interest	69,922	1,567	71,489
Total Revenues	1,747,734	82,411	1,830,145
EXPENDITURES			
Program expenditures			
Program services	1,256,947	67,686	1,324,633
Implementation expenditures			
Administrative expenditures			
Salaries and employee benefits	319,935	-	319,935
Professional services	48,398	-	48,398
Office supplies and expense	15,936	-	15,936
Rent	33,825	-	33,825
Total Expenditures	1,675,041	67,686	1,742,727
NET CHANGE IN FUND BALANCE	72,693	14,725	87,418
Fund Balance - Beginning, as restated	4,594,459	280,923	4,875,382
Fund Balance - Ending	\$ 4,667,152	\$ 295,648	\$ 4,962,800

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

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 87,418

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

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 amount earned. The difference between compensated absences paid and compensated absences earned, was: (11,775)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 24,306

Change in Net Position of Governmental Activities \$ 99,949

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Humboldt County Children and Families Commission (Commission), was established as a public agency by the County of Humboldt Ordinance 2185 on December 15, 1998 in accordance with California Health and Safety Code Section 130140, as a result of the California Children and Families First Act of 1998. This act was passed by Proposition 10 and requires a 50-cent increase of the tax on cigarettes, of which 80% of the monies would be distributed to County Commissions. The revenues from this tax are earmarked to meet early childhood development needs of children ages prenatal to age five. Additional information regarding the Humboldt County Children and Families Commission is located on <http://www.humkids.org>.

B. 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. The Commission has no such component units. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the Commission). These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

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

Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include Proposition 10 taxes and grants. Revenues from Proposition 10 taxes are recognized when all eligibility requirements are met which coincides with the State apportions Proposition 10 tax revenues to the Commission. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

General Fund: The General Fund is the main operating fund of the Commission. It accounts for all financial resources of the general government. The Commission operates sub-funds within the general fund. These funds include: Proposition 10-Children and Families Fund (General Fund) and HCCFC Sustainability Fund. The activity within the General Fund sub-funds is rolled into the General Fund for financial statement purposes, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Commission maintains the following special revenue fund: First 5 CA Fund.

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements 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.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted net position is available, restricted resources are used only after the unrestricted resources are depleted.

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The Commission's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Accounts Receivable

These amounts represent receivables from other local governments. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the Commission. The Commission's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plan (the Plan) of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the Commission will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Commission will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance

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 - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Commission Membership or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Commission Membership. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The Commission applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

Formal budgetary integration is employed as a management control device during the year. The budget is adopted on a basis consistent with generally accepted governmental accounting principles.

I. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The Commission has implemented this Statement as of June 30, 2021.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The Commission has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The Commission has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The Commission has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New Accounting Pronouncements (continued)

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The Commission has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

The Commission's cash and cash equivalent balance at June 30, 2021 consisted of cash in county treasury totaling \$4,610,274.

B. Policies and Practices

The Commission maintains all of its cash and investments with the Humboldt County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements.

The County maintains written investment policies that address a wide variety of investment practices, including primary investment objectives, investment authority, allowable investment vehicles, investment maturity terms, eligible financial institutions, capital preservation, and cash flow management.

All cash deposits at the County conform to the California Government Code Section 53646 and are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral.

Investment in County Treasury – The Commission maintains substantially all of its cash in the County Treasury. The Humboldt County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the Commission's investment in the pool is 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 that 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.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Commission funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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
U. S. Treasury Obligations	5 years	None	None
U. S. 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 (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission manages its exposure to interest rate risk by investing in the County Treasury. The Commission maintains a pooled investment with the County Treasury with a fair value of approximately \$4,629,740 and an amortized book value of \$4,610,274. The average weighted maturity for this pool is 800 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were not rated.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a policy for custodial credit risk for deposits. However, 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the Commission's bank balance was not exposed to custodial credit risk.

G. Fair Value

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Commission's own data. The Commission should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the Commission are not available to other market participants.

Uncategorized - Investments in the Humboldt County Treasury Investment Pool are not measured using the input levels above because the Commission's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The Commission's fair value measurements at June 30, 2021 were as follows:

	Uncategorized
Investment in county treasury	\$ 4,629,740
Total fair market value of investments	\$ 4,629,740

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
State Children and Families Commission - Prop 10	\$ 59,804	\$ -	\$ 59,804
State Children and Families Commission - Impact Funds	-	35,066	211,265
State Children and Families Commission - Other	590	-	590
Other local sources	557,097	1,175	557,097
Total	\$ 617,491	\$ 36,241	\$ 828,756

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendors payable	\$ 287,723	\$ 13,483	\$ 301,206
Total	\$ 287,723	\$ 13,483	\$ 301,206

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 5 – LONG-TERM DEBT

	Balance				Balance	Balance Due
	July 01, 2020	Additions	Deductions		June 30, 2021	In One Year
Governmental Activities						
Compensated absences	\$ 11,449	\$ 11,775	\$ -	\$ -	\$ 23,224	\$ -
Net pension liability	505,663	352,635	-	-	858,298	-
Total	\$ 517,112	\$ 364,410	\$ -	\$ -	\$ 881,522	\$ -

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to \$23,224. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The Commission’s beginning net pension liability was \$505,663 and increased by \$352,635 during the year ended June 30, 2021. The ending net pension liability at June 30, 2021 was \$858,298. See Note 7 for additional information regarding the net pension liability.

NOTE 6 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2021:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Restricted			
First 5 CA funds	\$ -	\$ 295,648	\$ 295,648
Total restricted	-	295,648	295,648
Committed			
Sustainability funds	3,274,602	-	3,274,602
Programs and program services	1,392,550	-	1,392,550
Total committed	4,667,152	-	4,667,152
Total	\$ 4,667,152	\$ 295,648	\$ 4,962,800

The Commission is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 7 – PENSION PLAN

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS). The Commission reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
PERS Pension	\$ 858,298	\$ 479,773	\$ 42,961	\$ 64,869
Total	\$ 858,298	\$ 479,773	\$ 42,961	\$ 64,869

California Public Employees' Retirement System (CalPERS)

Plan Description

The Commission contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The Commission is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the Commission were \$89,175 for the year ended June 30, 2021.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 7 – PENSION PLAN (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

At June 30, 2021, the Commission reported a liability of \$858,298 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The Commission’s proportion of the net pension liability was based on a projection of the Commission’s long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2021, the Commission’s proportion was 0.337%, which increased 0.126% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Commission recognized pension expense of \$64,869. At June 30, 2021, the Commission reported deferred inflows of resources related to pensions and reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 15,624	\$ -
Differences between expected and actual experience	23,814	-
Changes in assumptions	-	1,569
Changes in proportion and differences between Commission contributions and proportionate share of contributions	351,160	41,392
Commission contributions subsequent to the measurement date	89,175	-
Total	<u>\$ 479,773</u>	<u>\$ 42,961</u>

The \$89,175 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 90,041	\$ 14,273
2023	97,394	15,842
2024	102,358	12,846
2025	100,805	-
Total	<u>\$ 390,598</u>	<u>\$ 42,961</u>

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 7 – PENSION PLAN (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.625%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 7 – PENSION PLAN (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the County of Humboldt – Miscellaneous Pool. The results of the crossover testing for the County of Humboldt – Miscellaneous Pool are presented in a detailed report that can be obtained at CalPERS’ website.

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

The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Commission's proportionate share of the net pension liability	\$ 1,203,536	\$ 858,298	\$ 569,030

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2021, the Commission paid the County of Humboldt, a related party, for services. These services included information services, overhead, administrative services, and central services totaling \$18,391.

NOTE 9 – PROGRAM EVALUATION

The Commission spent \$45,653 on program evaluation during the fiscal year ended June 30, 2021.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 10 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to loss or damage to property, general liability and workers' compensation. The Commission manages these risks of loss through the participation in the County of Humboldt's insurance program. There have been no significant reductions in insurance coverage from prior year. For each of the past 4 years, settlements did not exceed insurance coverage.

NOTE 11 – SECTION 30131.4 OF THE CALIFORNIA TAX AND REVENUE CODE CERTIFICATION

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

NOTE 12 – CONTINGENT LIABILITIES

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

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plan

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Commission recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the Entity-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 7. At June 30, 2021, total deferred outflows related to pensions was \$479,773 and total deferred inflows related to pensions was \$42,961.

NOTE 14 – RESTATEMENT OF FUND BALANCE/NET POSITION

The beginning fund balance of the General Fund, the beginning fund balance of the First 5 CA Fund and the beginning net position of Governmental Activities have been restated in order to record year end accruals not properly recorded in the prior year. The effect on beginning fund balance and beginning net position are presented as follows:

	General Fund	First 5 CA Fund
Fund Balance - Beginning, as Previously Reported	\$ 4,549,533	\$ 367,543
Restatement	44,926	(86,620)
Fund Balance - Beginning, as Restated	<u>\$ 4,594,459</u>	<u>\$ 280,923</u>
	Governmental	
	Activities	
Net Position - Beginning, as Previously Reported	\$ 4,459,835	
Restatement	(41,694)	
Net Position - Beginning, as Restated	<u>\$ 4,418,141</u>	

REQUIRED SUPPLEMENTARY INFORMATION

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual*	Variances - Final to Actual
	Original	Final		
REVENUES				
State Children and Families Commission - Prop 10	\$ 750,732	\$ 750,732	\$ 750,732	\$ -
State Children and Families Commission - Other	226,287	226,287	226,287	-
Other revenue	700,793	700,793	700,793	-
Interest	18,586	18,586	18,586	-
Total Revenues	1,696,398	1,696,398	1,696,398	-
EXPENDITURES				
Program expenditures				
Program services	1,960,665	1,960,665	1,256,947	703,718
Implementation expenditures				
Administrative expenditures				
Salaries and employee benefits	193,460	193,460	319,935	(126,475)
Professional services	69,000	69,000	48,398	20,602
Office supplies and expense	23,020	23,020	15,936	7,084
Rent	33,700	33,700	33,825	(125)
Total Expenditures	2,287,845	2,287,845	1,675,041	612,804
Excess (Deficiency) of Revenues Over Expenditures	(591,447)	(591,447)	21,357	612,804
NET CHANGE IN FUND BALANCE	(591,447)	(591,447)	21,357	612,804
Fund Balance - Beginning, as Restated	1,371,193	1,371,193	1,371,193	-
Fund Balance - Ending	\$ 779,746	\$ 779,746	\$ 1,392,550	\$ 612,804

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Sustainability Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Commission's proportion of the net pension liability	0.337%	0.212%	0.187%	0.149%	0.228%	0.219%	0.194%
Commission's proportionate share of the net pension liability	\$ 858,298	\$ 505,663	\$ 431,606	\$ 334,677	\$ 471,431	\$ 390,609	\$ 320,001
Commission's covered payroll	\$ 260,703	\$ 212,084	\$ 172,479	\$ 140,710	\$ 171,636	\$ 179,678	\$ 151,081
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	329.2%	238.4%	250.2%	237.8%	274.7%	217.4%	211.8%
Plan fiduciary net position as a percentage of the total pension liability	69.4%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF COMMISSION CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 89,175	\$ 87,721	\$ 48,403	\$ 39,595	\$ 29,105	\$ 44,036	\$ 40,479
Contributions in relation to the contractually required contribution*	(89,175)	(87,721)	(48,403)	(39,595)	(29,105)	(44,036)	(40,479)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered payroll	\$ 340,160	260,703	\$ 212,084	\$ 172,479	\$ 140,710	\$ 171,636	\$ 179,678
Contributions as a percentage of covered payroll	26.22%	33.65%	22.82%	22.96%	20.68%	25.66%	22.53%

*Amounts do not include on-behalf contributions

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the Commission's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of the Commission's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the Commission's proportion (percentage) of the collective net pension liability, the Commission's proportionate share (amount) of the collective net pension liability, the Commission's covered-employee payroll, the Commission's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuation for CalPERS.

Schedule of Commission Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the Commission's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the Commission's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the Commission's covered-employee payroll.

SUPPLEMENTARY INFORMATION

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 COMBINING BALANCE SHEET
 JUNE 30, 2021**

	<u>First 5 CA Fund</u>	<u>Non-Major Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 272,890	\$ 272,890
Accounts receivable	36,241	36,241
Total Assets	<u>\$ 309,131</u>	<u>\$ 309,131</u>
LIABILITIES		
Accrued liabilities	\$ 13,483	\$ 13,483
Total Liabilities	<u>13,483</u>	<u>13,483</u>
FUND BALANCES		
Restricted		
First 5 CA funds	295,648	295,648
Total Fund Balances	<u>295,648</u>	<u>295,648</u>
Total Liabilities and Fund Balance	<u>\$ 309,131</u>	<u>\$ 309,131</u>

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2021**

	First 5 CA Fund	Non-Major Governmental Funds
REVENUES		
State Children and Families Commission - Impact Funds	\$ 71,236	\$ 71,236
Other revenues	9,608	9,608
Interest	1,567	1,567
Total Revenues	<u>82,411</u>	<u>82,411</u>
EXPENDITURES		
Program expenditures		
Program services	67,686	67,686
Total Expenditures	<u>67,686</u>	<u>67,686</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>14,725</u>	<u>14,725</u>
NET CHANGE IN FUND BALANCE	14,725	14,725
Fund Balance - Beginning, as restated	280,923	280,923
Fund Balance - Ending	<u>\$ 295,648</u>	<u>\$ 295,648</u>

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 COMBINING BALANCE SHEET – GENERAL FUND SUB-FUNDS
 JUNE 30, 2021**

	General Fund	Sustainability Fund	Total General Fund
ASSETS			
Cash and cash equivalents	\$ 1,101,284	\$ 3,236,100	\$ 4,337,384
Accounts receivable	578,989	38,502	617,491
Total Assets	\$ 1,680,273	\$ 3,274,602	\$ 4,954,875
LIABILITIES			
Accrued liabilities	\$ 287,723	\$ -	\$ 287,723
Total Liabilities	287,723	-	287,723
FUND BALANCES			
Committed			
Sustainability	-	3,274,602	3,274,602
Programs and Program Services	1,392,550	-	1,392,550
Total Fund Balances	1,392,550	3,274,602	4,667,152
Total Liabilities and Fund Balance	\$ 1,680,273	\$ 3,274,602	\$ 4,954,875

See accompanying note to supplementary information.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GENERAL FUND SUB-FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Sustainability Fund	Total General Fund
REVENUES			
State Children and Families Commission - Prop 10	\$ 750,732	\$ -	\$ 750,732
State Children and Families Commission - Other	226,287	-	226,287
Other revenues	700,793	-	700,793
Interest	18,586	51,336	69,922
Total Revenues	1,696,398	51,336	1,747,734
EXPENDITURES			
Program expenditures			
Program services	1,256,947	-	1,256,947
Implementation expenditures			
Administrative expenditures			
Salaries and employee benefits	319,935	-	319,935
Professional services	48,398	-	48,398
Office supplies and expense	15,936	-	15,936
Rent	33,825	-	33,825
Total Expenditures	1,675,041	-	1,675,041
NET CHANGE IN FUND BALANCE	21,357	51,336	72,693
Fund Balance - Beginning, as restated	1,371,193	3,223,266	4,594,459
Fund Balance - Ending	\$ 1,392,550	\$ 3,274,602	\$ 4,667,152

See accompanying note to supplementary information.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Combining Statements – Non-Major Funds

These statements provide information on the Commission’s non-major funds.

Combining Statements – General Fund Sub-Funds

These statements provide information on the Commission’s General Fund Sub-Funds prior to GASB 54 presentation.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, the Commission incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major account as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Program expenditures			
Program services	\$ 1,960,665	\$ 1,256,947	\$ (703,718)
Implementation expenditures			
Administrative expenditures			
Salaries and employee benefits	\$ 193,460	\$ 319,935	\$ 126,475
Professional services	\$ 69,000	\$ 48,398	\$ (20,602)
Transportation and travel	\$ 8,000	\$ -	\$ (8,000)
Office supplies and expense	\$ 23,020	\$ 15,936	\$ (7,084)
Rent	\$ 33,700	\$ 33,825	\$ 125

OTHER INDEPENDENT AUDITORS' REPORTS

**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**Independent Auditor's Report

Board of Commissioners
Humboldt County Children and Families Commission
Eureka, 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, the major fund, and the aggregate remaining fund information of Humboldt County Children and Families Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Humboldt County Children and Families Commission's basic financial statements, and have issued our report thereon dated December 02, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2021-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt County Children and Families Commission's financial statements are free of 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*.

Humboldt County Children and Families Commission's Response to Findings

Humboldt County Children and Families Commission's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Humboldt County Children and Families 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 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 Humboldt County Children and Families Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 02, 2021

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Board of Commissioners
Humboldt County Children and Families Commission
Eureka, California

Compliance

We have audited Humboldt County Children and Families Commission (the 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, 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 Humboldt County Children and Families Commission's compliance 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 that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Humboldt County Children and Families 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. Our audit does not provide a legal determination of Humboldt County Children and Families Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine Humboldt County Children and Families Commission's compliance with the state laws and regulations applicable to the following items:

Procedures Performed

<u>DESCRIPTION</u>	<u>PROCEDURES IN AUDIT GUIDE</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 Benefits Policies	2	Yes

Opinion

In our opinion, Humboldt County Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs listed above for the year ended June 30, 2021.

Christy White, Inc.

San Diego, California
December 02, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

PART I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to the financial statements?	<u>No</u>

STATE AWARDS

Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditor's report issued compliance for state programs	<u>Unmodified</u>

PART II – FINANCIAL STATEMENT FINDINGS

FINDING 2021-001: YEAR-END CLOSING PROCESS

Criteria: Management is responsible for designing and implementing a system of internal controls over financial reporting that provides reasonable assurance that misstatements affecting the financial statements is prevented or detected and corrected through normal operating procedures. Financial controls for best business practices should include proper year-end closing procedures, including the reconciliation of balance sheet accounts.

Condition: The Commission has an agreement with the County of Humboldt Auditor Controller's Office for accounting and oversight services. This agreement includes beginning balance sheet account roll forward, journal entry posting, recording of revenue and expenditures, and year end closing processes. During the 2020-21 year, we noted that the County of Humboldt Auditor Controller's Office did not meet the expectations included in the Commission's agreement for accounting and oversight services. As a result, the Commission sought an extension on the audit report as well as the need to manually post numerous audit adjustments and restatements.

Several audit adjustments were recorded in the financial statements to accurately report receivables, and accrued liabilities as well as recognize revenue and expenditures in accordance with generally accepted accounting principles (GAAP) applicable to the Commission.

Cause: The formal financial closing process was not followed as it has been followed in previous years.

Effect: Potential errors in accounting records and financial reporting may exist. Audit adjustments were necessary to accurately report financial data in accordance with GAAP.

Repeat Finding: This is not a repeat finding.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

PART II – FINANCIAL STATEMENT FINDINGS (continued)

FINDING 2021-001: YEAR-END CLOSING PROCESS (continued)

Recommendation: We recommend that the Commission work with the County of Humboldt's Auditor Controllers Office to ensure that the financial closing process is following and the elements of their agreement for accounting and oversight services are followed.

Corrective Action Plan: First 5 Humboldt will work with the Humboldt County Auditor Controllers Office, the County Administrative Office, and the Humboldt County Board of Supervisors to ensure that the expectations of the Memorandum of Understanding (MOU) with the County of Humboldt regarding accounting and oversight procedures are met. This includes advocating for better communication and prompt reporting from the Auditor Controllers Office, working with our legal counsel where necessary to compel compliance with the agreement, and exploring full severance or modification of the MOU should compliance not be forthcoming. In the event that the Auditor Controllers Office is unable to comply with the requirements of the MOU and First 5 Humboldt needs to sever the agreement, we will work with the Humboldt County Treasurer to initially, then quarterly, transfer First 5 Humboldt funds from the County Treasury to a bank account separate from the County's and establish new fiscal operating procedures in accordance with best business practices. A November 2021 letter from our legal counsel to the County Administrative Officer has been forwarded to Christy White for their records.

PART III – STATE AWARD FINDINGS

There were no state award findings for the year ended June 30, 2021.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no financial statement findings or findings of non-compliance in fiscal year ended June 30, 2020.