

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
First 5 Madera County Children and Families Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the First 5 Madera County Children and Families Commission (the Commission), as of and for the year ended June 30, 2021, the respective budgetary comparison for the general fund, and the related notes to the financial statements, which collectively comprise the Commission's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 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 opinion.

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 major fund of the Commission, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements. The Supplemental Schedule of First 5 California (F5CA) Funding is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplemental Schedule of First 5 California (F5CA) Funding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of First 5 California (F5CA) Funding is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
October 22, 2021

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

INTRODUCTION

The First 5 Madera County Children and Families Commission (First 5 Madera County) is funded primarily by a tax on tobacco products as established by Proposition 10, approved by voters in 1998. All tax revenues are distributed to First 5 California, which keeps 20% and disburses the remaining 80% to local First 5 agencies formed by local ordinance after Proposition 10 was adopted. Madera County adopted its ordinance (No. 571) that established the local First 5 Madera County Children and Families Commission on December 14, 1998. First 5 California disburses the Proposition 10 trust funds to the County Commission based upon the number of children born to mothers residing within Madera County. Further, the California Healthcare, Research and Prevention Tobacco Tax Act (Proposition 56), passed by voters in November 2016, increasing the excise tax rate on cigarettes and electronic cigarettes, effective April 1, 2017, and other tobacco products effective July 1, 2017. Since then, First 5 California receives backfill revenues from Proposition 56 that are distributed using the same methodology as that prescribed by Proposition 10. The revenue from these taxes are to be used for tobacco education and cessation programs and for programs that promote, support and improve the early development of children from prenatal to age five. The intent is for California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn. In order to further expand and sustain services in the community, First 5 Madera County also receives grant funds from a variety of governmental and philanthropic organizations.

First 5 Madera County develops and annually updates a strategic plan to guide how funds are disbursed for this purpose. First 5 Madera County has initiatives that set aside funding for implementation of certain goals from the strategic plan, most noteworthy being the Family Resource Centers. A financial plan supports and implements the strategic plan and any accompanying initiatives.

Our discussion and analysis of First 5 Madera County financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the First 5 Madera County's Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$7,182,424 as of June 30, 2021 (compared to \$7,029,003 as of June 30, 2020). The amount as of June 30, 2021 includes: Capital assets, primarily buildings and equipment, net of accumulated depreciation of \$1,988,638 (compared to \$2,058,751 as of June 30, 2020).
- Overall revenues were \$1,663,650 for the year ended June 30, 2021 (compared to \$2,198,361 for the year ended June 30, 2020), which was more than total expenses of \$1,510,229 for the year ended June 30, 2021 (compared to \$1,808,121 for the year ended June 30, 2020). Expenses were lower than revenue for the year ended June 30, 2021 by \$153,421, which is attributed to a staff resignation and challenges to expend funds for programing due to COVID-19.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts: 1) the financial statements; and 2) required supplementary information, which includes this management's discussion and analysis. The two sections together provide a comprehensive overview of the First 5 Madera County. The financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, as presented in the first two statements, provide both short-term and long-term information about the First 5 Madera County's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the First 5 Madera County operation in more detail.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2021**

The financial statements also include notes that explain some of the information in the statements and provide more detail data. The financial statements are followed by a section of supplemental information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the First 5 Madera County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the First 5 Madera County'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 government-wide statements report the First 5 Madera County's net position and how they have changed. Net position - the difference between the assets and liabilities - are one way to measure the First 5 Madera County's financial health or position.

- Over time, increases or decreases in the First 5 Madera County's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the First 5 Madera County, one needs to consider additional factors, such as decreases in Proposition 10 tax revenue due to decreased tobacco sales.

The government-wide financial statements of the First 5 Madera County include governmental activities only.

Fund Financial Statements

The fund financial statements provide more detailed information about the First 5 Madera County's most significant funds, not the First 5 Madera County as a whole. Funds are accounting devices that the First 5 Madera County uses to track specific sources of funding and spending for particular programs. State law and bond covenants may require the establishment of some funds. The Commission establishes other funds to control and manage money for particular purposes or to show that the First 5 Madera County is meeting legal responsibilities for using certain revenues. The First 5 Madera County has only one kind of fund:

- *Governmental Fund.* All of the First 5 Madera County's basic services are included in a governmental fund, which generally focuses on: (1) how cash and other financial assets can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements 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 First 5 Madera County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information after the governmental fund statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The First 5 Madera County's combined net position is \$7,182,424 at June 30, 2021 (compared to \$7,029,003 at June 30, 2020). See Table 1 on the following page.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2021**

**TABLE 1
NET POSITION**

	June 30, 2021	June 30, 2020	Change
ASSETS			
Current and other assets	\$ 5,359,080	\$ 5,164,107	\$ 194,973
Capital assets, net of accumulated depreciation	1,988,638	2,058,751	(70,113)
Total Assets	7,347,718	7,222,858	124,860
LIABILITIES			
Accounts payable and other liabilities	129,778	181,282	(51,504)
Compensated absences	35,516	12,573	22,943
Total Liabilities	165,294	193,855	(28,561)
NET POSITION			
Net investment in capital assets	1,988,638	2,058,751	(70,113)
Restricted	5,193,786	4,970,252	223,534
Total Net Position	\$ 7,182,424	\$ 7,029,003	\$ 153,421

Changes in Net Position

First 5 Madera County's total revenues for the year ended June 30, 2021 were \$1,663,650 (compared to \$2,198,361 for the year ended June 30, 2020). Revenues of \$1,485,030 for the year ended June 30, 2021 and \$1,417,470 for the year ended June 30, 2020 are derived from a tax on tobacco products implemented with Proposition 10 (1998) and Prop 56 (2016) and collected and distributed by California First 5 Children and Families Commission. Even though Prop 10 decreased, this was offset by backfill from Prop 56.

The total cost of all programs and services for the year ended June 30, 2021 was \$1,510,229 (compared to \$1,808,121 for the year ended June 30, 2020). The First 5 Madera County's expenses were predominately related to funding organizations to provide services for children ages zero through five and their families, including Family Resource Centers. The remaining expenses were for administrative activities, operations, internal planning and staff salaries.

Total expenditures decreased from \$1,808,121 for the year ended June 30, 2020 to \$1,510,229 for the year ended June 30, 2021.

As of June 30, 2021, First 5 Madera County has \$5,193,786 designated as restricted net position.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2021**

**TABLE 2
CHANGES IN NET POSITION**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Revenues			
Program revenues			
Rents: Family Resource Center	\$ 47,040	\$ 65,918	\$ (18,878)
Grants	136,707	629,351	(492,644)
Proposition 10 Taxes	1,141,773	1,089,503	52,270
Proposition 56 Taxes	343,257	327,967	15,290
Total Program Revenues	<u>1,668,777</u>	<u>2,112,739</u>	<u>(443,962)</u>
General revenues			
Investment Earnings (Loss)	(5,127)	85,622	(90,749)
Total General revenues	<u>(5,127)</u>	<u>85,622</u>	<u>(90,749)</u>
Total Revenues	<u>1,663,650</u>	<u>2,198,361</u>	<u>(534,711)</u>
Expenses			
Category I: Administrative Costs	387,677	394,788	(7,111)
Category II: Program Costs			
Family Resource Center	351,115	429,316	(78,201)
Other First 5 Initiatives	588,936	644,539	(55,603)
Capacity Building	21,751	168,745	(146,994)
Category III: Evaluation Costs	83,977	91,621	(7,644)
Depreciation	76,773	79,112	(2,339)
Total Expenses	<u>1,510,229</u>	<u>1,808,121</u>	<u>(297,892)</u>
Change in Net Position	<u>\$ 153,421</u>	<u>\$ 390,240</u>	<u>\$ (236,819)</u>

General Fund Budgetary Highlights

Actual amounts for revenues were above budgeted appropriations by \$34,497 and actual amounts for expenditures were below budgeted appropriations by \$586,130.

CAPITAL ASSETS

The Madera County Children and Families Commission's capital assets for its governmental activities as of June 30, 2021 were \$1,988,638, net of accumulated depreciation (compared to \$2,058,751, net of accumulated depreciation, as of June 30, 2020). This investment includes land, the Family Resource Center buildings and improvements, furniture, and equipment.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2021**

**TABLE 3
CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION**

	June 30, 2021	June 30, 2020
Land	\$ 553,458	\$ 553,458
Buildings and Improvements	1,397,895	1,454,807
Equipment	37,285	50,486
Total	\$ 1,988,638	\$ 2,058,751

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Madera County Children and Families Commission is committed to focusing resources on the purpose for which they are intended, namely, ensuring that all Madera County children have access to the necessary resources and services to enter school healthy and prepared to learn. Therefore, the Commission has committed all current and future resources, not required for administration and operation of the Commission and evaluation of programs, to fund and sustain local programs in future years. In particular, the Commission has designated funds and is actively seeking to develop a network of family resource centers throughout the County. The Commission's strategic plan recognized that family resource centers could fill a variety of needs and system gaps in services to children aged zero to five years and their families. The Commission also continues to seek new and innovative grant sources to further bolster services in the County of Madera.

The Commission is committed to evaluating all funded programs to determine which programs are working and have the greatest potential to improve the health and well-being of children aged zero to five years and their families. Evaluation outcomes of current funded programs and projects are considered as the Commission plans and budgets for fiscal year 2021-22 and beyond.

CONTACTING THE MADERA COUNTY CHILDREN AND FAMILIES COMMISSION

This financial report is designed to provide citizens, taxpayers, parents, participants, investors, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. For questions regarding this report or for additional financial information contact Mrs. Monica Ramirez, Executive Director, Madera County Children and Families Commission.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,237,729
Due from other governments	121,351
Capital assets not depreciated	553,458
Depreciable capital assets, net	<u>1,435,180</u>
 Total Assets	 <u>7,347,718</u>
 LIABILITIES	
Accounts payable and other liabilities	129,778
Long term liabilities	
Portion due within one year:	
Compensated absences	7,499
Portion due in more than one year:	
Compensated absences	<u>28,017</u>
 Total Liabilities	 <u>165,294</u>
 NET POSITION	
Net investment in capital assets	1,988,638
Restricted	<u>5,193,786</u>
 Total Net Position	 <u>\$ 7,182,424</u>

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

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) and Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Child Development Services	\$ 1,510,229	\$ 47,040	\$ 1,621,737	\$ 158,548
Total Primary Government	<u>\$ 1,510,229</u>	<u>\$ 47,040</u>	<u>\$ 1,621,737</u>	<u>158,548</u>
General Revenues:				
Investment Earnings (Loss)				<u>(5,127)</u>
Total General Revenues				<u>(5,127)</u>
Change in Net Position				153,421
Net Position, Beginning of Year				<u>7,029,003</u>
Net Position, End of Year				<u>\$ 7,182,424</u>

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

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021**

ASSETS

Current Assets	
Cash and investments	\$ 5,237,729
Due from other governments	<u>121,351</u>
Total Assets	<u>\$ 5,359,080</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable and other liabilities	<u>\$ 129,778</u>
Total Liabilities	<u>129,778</u>
Fund Balance	
Committed	<u>5,229,302</u>
Total Fund Balance	<u>5,229,302</u>
Total Liabilities and Fund Balance	<u>\$ 5,359,080</u>

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

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$	5,229,302
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$1,056,807).		1,988,638
The compensated absences liability is not due in the current period and, therefore, is not included in the governmental fund.		<u>(35,516)</u>
Total Net Position - Governmental Activities	\$	<u><u>7,182,424</u></u>

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

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

REVENUES

Proposition 10 apportionment	\$ 1,141,773
Proposition 56 apportionment	343,257
Rents: Family Resource Center	47,040
Other grants	136,707
Investment earnings (loss)	<u>(5,127)</u>

Total Revenues	<u>1,663,650</u>
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EXPENDITURES

Administrative costs	<u>387,677</u>
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Program costs	
Family Resource Centers	351,115
Other First 5 programs	565,993
Capacity building	<u>21,751</u>
Total program costs	<u>938,859</u>

Evaluation costs	<u>83,977</u>
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Capital outlay	<u>6,660</u>
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Total Expenditures	<u>1,417,173</u>
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Net Change in Fund Balance	246,477
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Fund Balance, Beginning of Year	<u>4,982,825</u>
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Fund Balance, End of Year	<u><u>\$ 5,229,302</u></u>
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The accompanying notes are an integral part of the financial statements.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in Fund Balance - Governmental Fund	\$	246,477
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$76,773) exceeded capital outlay (\$6,660) in the current period.		(70,113)
Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund.		<u>(22,943)</u>
Change in Net Position - Governmental Activities	\$	<u><u>153,421</u></u>

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

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,430,168	\$ 2,430,168	\$ 4,982,825	\$ 2,552,657
REVENUES				
Proposition 10 apportionment	1,321,069	1,321,069	1,141,773	(179,296)
Proposition 56 apportionment	-	-	343,257	343,257
Investment earnings (loss)	20,000	20,000	(5,127)	(25,127)
Other grants and services	314,084	288,084	183,747	(104,337)
Total Revenues	<u>1,655,153</u>	<u>1,629,153</u>	<u>1,663,650</u>	<u>34,497</u>
EXPENDITURES				
Administrative costs	302,964	405,208	387,677	17,531
Program costs	1,522,168	1,469,937	938,859	531,078
Evaluation costs	87,242	88,158	83,977	4,181
Deferred maintenance	40,000	40,000	-	40,000
Capital outlay	-	-	6,660	(6,660)
Total Expenditures	<u>1,952,374</u>	<u>2,003,303</u>	<u>1,417,173</u>	<u>586,130</u>
Net Change in Fund Balance	<u>(297,221)</u>	<u>(374,150)</u>	<u>246,477</u>	<u>620,627</u>
Fund Balance, End of Year	<u>\$ 2,132,947</u>	<u>\$ 2,056,018</u>	<u>\$ 5,229,302</u>	<u>\$ 3,173,284</u>

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

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: In November 1998, California voters approved a tax of 50 cents per pack of cigarettes and tobacco products to fund programs and services that enhance early childhood development. Subsequently, the legislature passed the California Children and Families Act of 1998 creating a state commission and process for formation of County Commissions throughout the state and creating a trust fund to receive the cigarette and tobacco product tax proceeds. The County of Madera Board of Supervisors enacted a County ordinance (No. 571) on December 14, 1998 creating the First 5 Madera County Children and Families First Commission (the Commission), an independent commission (amended January 11, 1999 to delete "First"). Under an option allowed in the California Children and Families Act of 1998, the County of Madera (the County) ordinance authorized creation of a commission which is legally separate and independent of the County. The County is not financially accountable for the Commission. The Board of Supervisors does not appoint a voting majority of the Commission's governing board. Although by statute a county supervisor, the county health department director, and a representative of the County Social Services Department are voting members of the Commission's board, the remaining six members are nominated by the Commission and only confirmed by the County Board of Supervisors as a ministerial responsibility. The Commission's debts are legally not the County's responsibility, and if the Commission were dissolved, any of its unexpended funds must be returned to the State trust fund. Therefore, the financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and results of operations of the County of Madera taken as a whole.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The financial statements of the Commission are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*, and related standards. GASB Statement No. 34 established standards for external financial reporting for all state and local government entities which includes a management's discussion and analysis section, a statement of net position, a statement of activities, and, if applicable, a statement of cash flows. The financial statements consist of the following:

- Government-Wide Financial Statements-

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

- Fund Financial Statements-

The Commission's governmental fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, compensated absences are recorded only when payment is due.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for the governmental fund.

The Commission reports the following major governmental fund:

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

Revenues – Exchange and Non-Exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Budget and Budgetary Process: The Commission adopts an annual budget, which can be amended by the Commission throughout the year, on a basis consistent with accounting principles generally accepted in the United States of America.

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

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments: The Commission participates in the Madera County Common Investment pool. Cash in County Treasury is recorded at carrying value which approximates fair value.

Capital Assets: Capital assets, which include property, buildings, and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost if purchased or constructed.

Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful lives. Buildings and improvements are depreciated over 15-39 years and furniture and equipment are depreciated over 5-15 years.

Compensated Absences: The Commission employees earn vacation and sick leave with pay every year. The amount of vacation and sick leave earned is based on the years of continuous service. All vacation pay is accrued when incurred, while employees vest between three and fifty percent of their sick leave balance after five years of service. The cap on the maximum amount of vacation hours an employee can accrue is 300 hours, while sick time has no cap.

Fund Balance: The Commission's financial statements comply with the fund balance reporting requirements detailed in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

As of June 30, 2021, fund balances of the governmental fund are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to *be* maintained intact.

Restricted: Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed: Amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the Commission. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned: Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Commission's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned: All other spendable amounts.

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.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: The government-wide activities financial statements utilize a net position presentation.

As of June 30, 2021, net position is categorized as follows:

Net Investment in Capital Assets: This category groups all capital assets into one component of the net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance.

Restricted: This category presents restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted: All other net position is unrestricted.

The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Governmental Accounting Standards Update: During the year ending June 30, 2021, the Commission implemented the following standards with no financial impact:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements. Management has determined that no events required disclosure in accordance with accounting standards. These subsequent events have been evaluated through October 22, 2021, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and Investments is classified in the accompanying financial statements as follows:

	Amount
Cash and investments in Madera County Treasury	\$ 5,237,729
Total cash and investments	\$ 5,237,729

The Commission is authorized under California Government Code to make direct investments; however, the Commission maintains all of its cash and investments with the County of Madera Treasury in the County investment pool. Therefore, the Commission has not adopted an investment policy and thus does not maintain policies for exposure to interest rate risk, credit risk, and concentration of credit risk.

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

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

Investment Type	Remaining Maturity in Months	
	Amount	12 months or less
Cash and investments	\$ 5,237,729	\$ 5,237,729

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code Section 53601 (where applicable) and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Rating Required</u>
Cash and investments	<u>\$ 5,237,729</u>	Various

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

The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code Section 53652 requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 15% of the secure public deposits.

Investment in County Pool: Investments held in the County's investment pool are available on demand and are stated at amortized cost which approximates fair value in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the County of Madera for the entire pool portfolio. The balance available for withdrawal is based on the accounting records maintained by the pool, which are recorded on an amortized cost basis. On a quarterly basis the Madera County Treasury allocates interest to the participants based upon its average daily balance. The investment policies and associated risk factors applicable to the Commission are those of the County of Madera. Required disclosure information regarding categorization of investments and the additional risk disclosures that include interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, can be found in the County's financial statements.

The Commission categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles per GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission's investments in the county pool are stated at amortized cost and therefore not included in the fair value hierarchy. The Commission's investments in the county pool are not subject to withdrawal restrictions.

The County of Madera's financial statements may be obtained by contacting the County of Madera's Auditor-Controller's office at 200 4th Street, Madera, California 93637.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – DUE FROM OTHER GOVERNMENTS

The due from other governments account represents amounts due to the Commission for Proposition 10 and other related revenues. The amounts due at June 30, 2021 are as follows:

	Amount
State of CA - Proposition 10 Tobacco Tax & Grants	\$ 111,446
Other governments	9,905
	\$ 121,351

NOTE 4 – CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2021 were as follows:

	Beginning Balance	Increases	Deletions & Adjustments	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 553,458	\$ -	\$ -	\$ 553,458
Total capital assets not being depreciated	553,458	-	-	553,458
Capital assets being depreciated:				
Buildings and improvements	2,177,546	-	-	2,177,546
Equipment	308,782	6,660	(1,001)	314,441
Total capital assets being depreciated	2,486,328	6,660	(1,001)	2,491,987
Less accumulated depreciation:				
Buildings and improvements	(722,739)	(56,913)	1	(779,651)
Equipment	(258,296)	(19,860)	1,000	(277,156)
Total accumulated depreciation	(981,035)	(76,773)	1,001	(1,056,807)
Total capital assets being depreciated, net	1,505,293	(70,113)	-	1,435,180
Total capital assets, net	\$ 2,058,751	\$ (70,113)	\$ -	\$ 1,988,638

Depreciation expense for the year ended June 30, 2021 was \$76,773.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2021 consist of \$129,778 owed to various initiatives funded by the Commission and \$0 for various administrative expenditures, staff travel expense reimbursements, and contracted professional services, for a total accounts payable balance of \$129,778.

NOTE 6 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to general liability, property liability, health and workers' compensation. These risks are addressed through commercial insurance policies. No claims or suits are pending against the Commission arising out of claim settlements covered by insurance. No settlements exceeded insurance coverage during the last three years.

NOTE 7 – PROGRAM EVALUATION

The Commission spent \$83,977 on program evaluation during the year ended June 30, 2021.

NOTE 8 – RETIREMENT PLAN

The Commission has established the First 5 Madera County 457(b) Plan for all full time employees. Employees can elect a salary reduction contribution of up to 3% of their compensation. The Commission makes a 4% matching contribution for each plan participant. Monthly, the Commission forwards all contributions to the plan. Plan participants may choose from investment options which are managed by the plan trustee. The Commission has no liability for losses under the plan. The assets that are held in trust for pension benefits are not reported on the Commission's financial statements in accordance with Governmental Accounting Standards Board Statement No. 32 - *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Commission contributed \$22,244 for the year ended June 30, 2021.

NOTE 9 – ECONOMIC DEPENDENCY

The Commission is primarily funded by Proposition 10 and Proposition 56 Tobacco Tax funds, which makes up 89% of revenue. Any reduction in Tobacco Tax revenues will impact the Commission's ability to perform services.

NOTE 10 – DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, expenditures exceeded appropriations as follows:

Expenditures	Amount
Capital outlay	\$ 6,660

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 11 – LEASES

The Commission receives revenue from operating leases of office space leased in the Madera and Chowchilla Family Resource Centers. The leases cover periods ranging from 1 to 3 years. The original cost of the Madera Family Resource Center was \$707,047 and as of June 30, 2021, has a carrying value of \$377,502 net of accumulated depreciation of \$329,545. The Chowchilla Family Resource Center cost \$1,421,292 and as of June 30, 2021, has a carrying value of \$984,080 net of accumulated depreciation of \$437,212.

The following is a schedule of minimum future rental payments to be received under these operating leases at June 30, 2021:

Year Ending June 30	Amount
2022	\$ 37,683
2023	22,465
	<u>\$ 60,148</u>

NOTE 12 – COVID-19 PANDEMIC

Management has determined the events regarding the novel coronavirus require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of emergency in California due to the novel coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the Commission is unknown.

NOTE 13 – FUND BALANCES

In accordance with GASB Statement No. 54, fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Commitments of fund balance represent uses of funds for a specific purpose that require the Board of Commissioners action for initiation, modification, and removal. Assignment of fund balances represents managements plans that are subject to change. Fund balances have been committed as the funds can only be used for First 5 related activities.



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

To the Board of Commissioners
First 5 Madera County Children and Families Commission

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 major fund of the First 5 Madera County Children and Families Commission (the Commission), as of and for the year ended June 30, 2021, the related notes to the financial statements, and the respective budgetary comparison for the general fund, which collectively comprise the Commission's financial statements, and have issued our report thereon dated October 22, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as identified in the accompanying schedule of findings and recommendations as finding 2021-001.

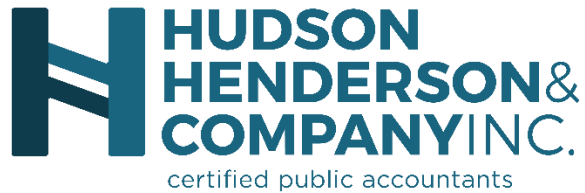
Purpose of this Report

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 22, 2021



INDEPENDENT AUDITORS’ REPORT ON STATE COMPLIANCE

To the Board of Commissioners
 First 5 Madera County Children and Families Commission

Compliance

We have audited the First 5 Madera County Children and Families Commission’s (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 law and regulations applicable to the California Children and Families Act.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Commission’s compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller’s Office. Those standards and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

<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 exception of noncompliance identified in the accompanying Schedule of Findings and Recommendations as item 2021-001, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is described in the accompanying Schedule of Findings and Recommendations as item 2021-001.

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

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 22, 2021

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

**Finding 2021-001 – Non-Compliance
Administrative Costs**

Criteria:

In accordance with administrative cost requirements as per the state commission, the Commission must have an administrative cost definition in accordance with the state commission's guidelines and the Commission must have a process in place to monitor these costs [Health and Safety Code sections 13014(d)(5) and 130151(b)(2)].

Condition:

During the audit procedures performed over the administrative costs of the Commission, we noted the Commission's administrative actual costs were in excess of the Commission adopted limit (15%) for the year ended June 30, 2021.

Cause of Condition:

The Commission had a turnover of their Executive Director, and during the use of a hired firm acting as the interim director, the budget for the current year was created in which the allocation for administrative costs was in excess of the Commission's properly approved rate of 15%.

Effect of Condition:

As a result of the budget being created with administrative costs in excess of 15%, actual administrative expenses were within the budget guidelines, for the year ended June 30, 2021. Therefore, actual final administrative expenses of the Commission were in excess of the approved 15% rate, leading to non-compliance as per state commission guidelines. If the administrative costs noncompliance is not addressed for the next fiscal year, future allocations from the state may be withheld.

Recommendation:

The Commission should properly budget and monitor throughout the year the administrative costs to ensure compliance and that actual expenses for the year are under the 15% Commission approved threshold. The Commission needs to ensure the administrative costs are monitored and a corrective action plan is put into place, to ensure compliance for the next fiscal year to avoid any penalties from the state commission.

Management Response:

As noted in the Cause of Condition section, the Commission experienced an Executive Director transition resulting in differences in the budget preparation. Prior to the current fiscal year, management calculated the administrative limit by comparing the actual administrative costs to the total budgeted expenses. Furthermore, the total budgeted expenses included the total reserves. This had resulted in the administrative costs not exceeding the Commission adopted limit. If the same methodology was used for the current fiscal year, the administrative costs would have been in compliance with the Commission adopted limit.

The audit procedures performed during the year ended June 30, 2021, calculated the administrative cost percentage by comparing the actual administrative cost to the total actual expenses which resulted in the administrative costs exceeding the Commission's approved rate. In addition, due to the COVID-19 pandemic challenges, the Agency was not able to fully expend its budgeted programmatic expenses which further caused the administrative costs to exceed the limit.

To prevent a similar occurrence, the Agency plans to review the Administrative Cost Policy and allocation procedures. Also, management will be monitoring the administrative expenses proactively throughout the year. The quarterly financial report to the Commission will include the administrative cost percentage. This will enable the Commission and management to create corrective action plans, if needed, during the fiscal year to ensure the administrative costs stay in compliance.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2020.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION**

SUPPLEMENTARY INFORMATION

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
SUPPLEMENTAL SCHEDULE OF
FIRST 5 CALIFORNIA (F5CA) FUNDING
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Program or Project Title</u>		<u>REVENUE F5CA FUNDS</u>	<u>EXPENDITURES</u>	<u>CHANGE IN NET POSITION</u>	<u>NET POSITION BEG OF YEAR</u>	<u>NET POSITION END OF YEAR</u>
First 5 IMPACT Program	F5CA Program Funds	\$ 106,720	\$ 106,720	\$ -	\$ -	\$ -
	County, Local Funds	-	-	-	-	-
TOTAL F5CA FUNDS		\$ 106,720	\$ 106,720	\$ -	\$ -	\$ -