

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

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

#### ***Opinions***

We have audited the financial statements of the governmental activities and major fund for the First 5 Madera County Children and Families Commission (the Commission), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund for the Commission as of June 30, 2022, and the respective changes in financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **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 on pages 3 and 7 and the Budgetary Comparison Schedule on page 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information section listed in the table of contents is presented for purposes of additional analysis and is not required parts of the basic financial statements.

The supplementary information on page 23 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. The 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 November 22, 2022, 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.



Moss, Levy & Hartzheim, LLP  
Culver City, California  
November 22, 2022

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**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 Proposition 10 trust funds to the County Commission based upon the number of children born to children 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 is 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, 2022. 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 \$7,054,066 as of June 30, 2022 (compared to \$7,182,424 as of June 30, 2021). The amount as of June 30, 2022, includes Capital assets, primarily buildings, and equipment, net of accumulated depreciation of \$1,924,967 (compared to \$1,988,638 as of June 30, 2021).
- Overall revenues were \$1,467,644 for the fiscal year ended June 30, 2022 (compared to \$1,663,650 for the fiscal year ended June 30, 2021), which was less than total expenses of \$1,596,002 for the fiscal year ended June 30, 2022 (compared to \$1,510,229 for the fiscal year ended June 30, 2021). Expenses were higher than revenue for the fiscal year ended June 30, 2022, by \$128,358 which is attributed to grant opportunities available to partner with the community.

**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, 2022**

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 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 Statements of Activities, regardless of when cash is received or paid.

The government-wide statements report the First 5 Madera County's net positions 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 fiscal 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 less financial resources that can be spent in the near future to finance the Commission'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 Madera County's combined net position is \$7,054,066 at June 30,2022 (compared to \$7,182,424 at June 30,2021). See Table 1 on the following page.

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
JUNE 30, 2022**

**TABLE 1  
NET POSITION**

	As of <u>June 30, 2022</u>	As of <u>June 30, 2021</u>	<u>Change</u>
<b>ASSETS</b>			
Current and other assets	\$ 5,335,008	\$ 5,359,080	\$ (24,072)
Lease receivable	36,180		
Capital assets, net of accumulated depreciation	<u>1,924,967</u>	<u>1,988,638</u>	<u>(63,671)</u>
Total Assets	<u>7,296,155</u>	<u>7,347,718</u>	<u>(87,743)</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	151,992	129,778	22,214
Compensated absences	<u>53,973</u>	<u>35,516</u>	<u>18,457</u>
Total Liabilities	<u>205,965</u>	<u>165,294</u>	<u>40,671</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Lease receivable	<u>36,124</u>		<u>36,124</u>
Total Deferred inflows of resources	<u>36,124</u>		<u>36,124</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,924,967	1,988,638	(63,671)
Unrestricted	<u>5,129,099</u>	<u>5,193,786</u>	<u>(64,687)</u>
Total Net Position	<u>\$ 7,054,066</u>	<u>\$ 7,182,424</u>	<u>\$ (128,358)</u>

**Changes in Net Position**

First 5 Madera County's total revenues for the fiscal year ended June 30, 2022, were \$1,467,644 (compared to \$1,663,650 for the fiscal year ended June 30, 2021). Revenues of \$1,425,138 for the fiscal year ended June 30, 2022, and \$1,485,030 for the fiscal year ended June 30, 2021, 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 fiscal year ended June 30, 2022, was \$1,596,002 (compared to \$1,510,229 for the fiscal year ended June 30, 2021). The First 5 Madera County's expenses were predominately related to funding organizations to provide prenatal to age five services for children and their families, including Family Resource Centers. The remaining expenses were for administrative activities, operations, internal planning, and staff salaries.

Total expenditures increased from \$1,510,229 for the fiscal year ended June 30, 2021 to \$1,596,002 for the fiscal year ended June 30, 2022.

As of June 30, 2022, First 5 Madera County has \$5,129,099 in unrestricted net position.

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
JUNE 30, 2022**

**TABLE 2  
CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Revenues			
Program revenues			
Rents: Family Resource Center	\$ 49,668	\$ 47,040	\$ 2,628
Grants	162,649	136,707	25,942
Proposition 10 Taxes	1,067,224	1,141,773	(74,549)
Proposition 56 Taxes	357,914	343,257	14,657
Total Program Revenues	<u>1,637,455</u>	<u>1,668,777</u>	<u>(31,322)</u>
General revenues			
Investment Earnings (Loss)	<u>(169,811)</u>	<u>(5,127)</u>	<u>(164,684)</u>
Total General Revenues	<u>(169,811)</u>	<u>(5,127)</u>	<u>(164,684)</u>
Total revenues	<u>1,467,644</u>	<u>1,663,650</u>	<u>(196,006)</u>
Expenses			
Category 1: Administrative Costs	325,138	387,677	(62,539)
Category II: Program Costs			
Family Resource Center	501,253	351,115	150,138
Other First 5 Initiatives	661,817	588,936	72,881
Capacity Building	4,863	21,751	(16,888)
Category III: Evaluation Costs	25,578	83,977	(58,399)
Depreciation	<u>77,353</u>	<u>76,773</u>	<u>580</u>
Total Expenses	<u>1,596,002</u>	<u>1,510,229</u>	<u>85,773</u>
Changes in Net Position	<u>\$ (128,358)</u>	<u>\$ 153,421</u>	<u>\$ (281,779)</u>

**General Fund Budgetary Highlights**

Actual amounts for revenues were less than budgeted appropriations by \$50,614 and actual amounts for expenditures were below budgeted appropriations by \$326,632.

**GASB 87 "Leases"**

The commission implemented GASB 87 "Leases" as of July 1, 2021, resulting in the recognition of a lease receivable of \$83,656, and a deferred inflow lease receivable of \$83,656.

**CAPITAL ASSETS**

The Madera County Children and Families Commission's Capital assets for its governmental activities as of June 30, 2022, were \$1,924,967, net of accumulated depreciation (compared to \$1,998,638, net of accumulated depreciation, as of June 30, 2021). 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, 2022**

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

	June 30, 2022	June 30, 2021
Land	\$ 553,458	\$ 553,458
Buildings and Improvements	1,340,985	1,397,895
Equipment	30,524	37,285
Total	\$ 1,924,967	\$ 1,988,638

**ECONOMIC FACTORS AND NET 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 prenatal to age five services for children and their families. The commission also continues to see 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 unborn children to aged five and their families. Evaluation outcomes of current funded programs and projects are considered as the Commission plans and budgets for fiscal year 2022-23 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, 2022**

<b>ASSETS</b>	<u>Governmental Activities</u>
Cash and investments	\$ 5,129,272
Due from other governments	205,736
Lease receivable	36,180
Capital assets not depreciated	553,458
Depreciable capital assets, net	<u>1,371,509</u>
Total Assets	<u>7,296,155</u>
<b>LIABILITIES</b>	
Accounts payable and other liabilities	151,992
Long Term Liabilities	
Portion due within one year:	
Compensated absences	11,396
Portion due in more than one year:	
Compensated absences	<u>42,577</u>
Total Liabilities	<u>205,965</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Lease receivable	<u>36,124</u>
<b>NET POSITION</b>	
Net Investment in capital assets	1,924,967
Unrestricted	<u>5,129,099</u>
Total Net Position	<u>\$ 7,054,066</u>

The accompanying notes are integral part of the financial statements.

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

		Program Revenues		Net (Expense) and Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Child Development Services	\$ 1,596,002	\$ 49,668	\$ 1,587,787	\$ 41,453
Total Primary Government	<u>\$ 1,596,002</u>	<u>\$ 49,668</u>	<u>\$ 1,587,787</u>	<u>\$ 41,453</u>
General Revenues:				
Investment Earnings (Loss)				<u>(169,811)</u>
Total General Revenues				<u>(169,811)</u>
Change in Net Position				(128,358)
Net Position, Beginning of Fiscal Year				<u>7,182,424</u>
Net Position, End of Fiscal Year				<u>\$ 7,054,066</u>

The accompanying notes are integral part of the financial statements.

**FIRST 5 MADERA COUNTY**  
**CHILDREN AND FAMILIES COMMISSION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2022**

**ASSETS**

Current Assets	
Cash and investments	\$ 5,129,272
Due from other governments	205,736
Lease receivable	<u>36,180</u>
Total Assets	<u>\$ 5,371,188</u>

**LIABILITIES AND FUND BALANCE**

Liabilities	
Accounts payable and other liabilities	<u>\$ 151,992</u>
Total Liabilities	<u>151,992</u>
Deferred Inflows of Resources	
Lease receivable	<u>\$ 36,124</u>
Fund Balance	
Nonspendable	
Lease receivable	56
Committed	<u>5,183,016</u>
Total Fund Balance	<u>5,183,072</u>
Total Liabilities and Fund Balance	<u>\$ 5,371,188</u>

The accompanying notes are integral part of the financial statements.

**FIRST 5 MADERA COUNTY**  
**CHILDREN AND FAMILIES COMMISSION**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENTS OF NET POSITION**  
**JUNE 30, 2022**

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

Total Fund Balance-Governmental Fund	\$	5,183,072
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$1,124,964).		1,924,967
The compensated absences liability is not due in the current period and, therefore, is not included in the governmental fund.		<u>(53,973)</u>
Total Net Position- Governmental Activities	\$	<u><u>7,054,066</u></u>

The accompanying notes are 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 FISCAL YEAR ENDED JUNE 30, 2022**

**REVENUES**

Proposition 10 apportionment	\$ 1,067,224
Proposition 56 apportionment	357,914
Rents: Family Resource Center	49,668
Other grants	162,649
Investment earnings (loss)	<u>(169,811)</u>
 Total Revenues	 <u>1,467,644</u>

**EXPENDITURES**

Administrative costs	<u>319,091</u>
 Program Costs	
Family Resource Centers	494,199
Other First 5 Programs	656,572
Capacity Building	<u>4,863</u>
Total Program Costs	<u>1,155,634</u>
 Evaluation Costs	 <u>24,502</u>
 Capital Outlay	 <u>14,647</u>
 Total Expenditures	 <u>1,513,874</u>
 Net Change in Fund Balance	 (46,230)
 Fund Balance, Beginning of Fiscal Year	 <u>5,229,302</u>
 Fund Balance, End of Fiscal Year	 <u><u>\$ 5,183,072</u></u>

The accompanying notes are integral part of the financial statements.

**FIRST 5 MADERA COUNTY**  
**CHILDREN AND FAMILIES COMMISSION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30,2022**

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	\$	(46,230)
<p>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 which depreciation (\$77,353) exceeded capital outlay (\$14,647) in the current period.</p>		
		(62,706)
<p>In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue, in the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:</p>		
		(965)
<p>Long-Term Liabilities are not due during the current Fiscal year and, therefore, the change is not recorded in the governmental fund.</p>		
		<u>(18,457)</u>
Change in Net Position- Governmental Activities	\$	<u><u>(128,358)</u></u>

The accompanying notes are integral part of the financial statements.

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 the 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 enact 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 the creation of a commission. 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 stature 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 Commission's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's more significant accounting policies are described below:

- 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 that 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 resource 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.

- 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 liability is incurred, as under the accrual basis of accounting. 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.



**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS(continued)  
JUNE 30, 2022**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Revenues – Exchange and Non-Exchange Transactions: Revenue resulting from an exchange transaction, 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 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 governmental-wide statements.

Budget and Budgetary Process: The Commission adopts an annual budget, which can be amended by the Commission throughout the fiscal 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.

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.

Lease Receivables: The Commission's lease receivables are measured at the present value of payments expected to be received during the lease term. Under the lease agreements, the Commission receives payments in accordance with each payment schedule for each of the leases.

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 value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized.

Depreciation on all assets is provided on the straight-line basis over the asset's 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 fiscal 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.

Deferred Inflows of Resources: In addition to liabilities, the statements of net position 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(s) and will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualifies for reporting in this category. The deferred lease receivable related item and amounts are recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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.

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Fund Balance: (Continued)

As of June 30, 2022, 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, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

When expenditures are incurred for purposes where only unrestricted funds balances are available, the Commission uses the unrestricted resources in the following order – committed, assigned, the unassigned.

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

As of June 30, 2022, net position is categorized as follows:

*Net Investment in Capital Assets*: This component of the net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction or improvements of these assets.

*Restricted*: This category presents restrictions imposed by creditors, grants 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.

Governmental Accounting Standards

The Commission implemented GASB statement No. 87 “Leases” as of July 1, 2021, resulting in the recognition of a lease receivable of 83,656 and a deferred inflow lease receivable of \$83,656. There was no impact upon net position. The Commission has elected not to restate the prior period financial statements.

Future Accounting Pronouncements:

GASB Statements listed below will be implemented in future statements.

GASB Statement 91 - Conduit Debt Obligations- The provision of this statement is effective for fiscal year beginning after December 15, 2021.

GASB Statement 93 - Replacement of Interbank Offered Rates- The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal year beginning after June 15, 2020. Paragraph 11 b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.

GASB Statement 94 – Public-Private and Public-Public Partnerships and Availability Payments Agreements – The Provisions of this statement are effective for fiscal year beginning after June 15, 2022.

GASB Statement 96 – Subscription-Based information Technology Arrangements - The provision of this statement are effective for fiscal year beginning after June 15, 2022.

GASB Statement. 99 – Omnibus 2022 - The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Governmental Accounting Standards: (Continued)

GASB Statement. 100 – Accounting Changes and Errors Correction - an amendment of GASB Statement No. 62 - The requirements of this statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement 101- Compensated Absences – The provision of this statement is effective for fiscal year beginning after December 15, 2023

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financial statements as follows:

	Amount
Cash and investments in Madera County Treasury	\$ 5,129,272
Total cash and investments	\$ 5,129,272

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 Investment by maturity:

Investment Type	Remaining Maturity in Months	
	Amount	12 months or less
Cash and Investment, County Treasury	\$ 5,129,272	\$ 5,129,272

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.

Investment Type	Amount	Rating Required
Cash and Investment, County Treasury	\$ 5,129,272	Not Rated

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Custodial Credit Risk: Custodial credit risk for deposit 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 in the possession of an outside party. The custodial credit risk for the 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 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 provisions for deposits. The California Government Code Section 53652 requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by 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 150% 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 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 4<sup>th</sup> Street, Madera, California 93637.

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

The due from other governments account represents due to the Commission for Proposition 10 and other related revenues. The amounts due at June 30, 2022 are as follows:

	Amount
State of CA - Proposition 10 Tobacco Tax and Grants	\$ 183,570
Other governments	22,166
Total due from other governments	\$ 205,736

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022**

**NOTE 4 – CAPITAL ASSETS**

Changes in capital assets during the fiscal year ended June 30, 2022, were as follows:

	Beginning Balance	Increases	Decreases	Deletions	Ending Balance
Governmental Activities					
Capital Assets not being depreciated:					
Land	\$ 553,458	\$ -	\$ -	\$ -	\$ 553,458
Total capital assets not being depreciated	<u>553,458</u>				<u>553,458</u>
Capital Assets being depreciated:					
Building and improvements	2,177,546				2,177,546
Equipment	314,441	14,647		(10,161)	318,927
Total capital assets being depreciated	<u>2,491,987</u>	<u>14,647</u>		<u>(10,161)</u>	<u>2,496,473</u>
Less accumulated depreciation:					
Buildings and improvements	(779,651)	(56,912)			(836,563)
Equipment	(277,156)	(20,441)		9,196	(288,401)
Total accumulated depreciation	<u>(1,056,807)</u>	<u>(77,353)</u>		<u>9,196</u>	<u>(1,124,964)</u>
Total capital assets being depreciated, net	<u>1,435,180</u>	<u>(62,706)</u>		<u>(965)</u>	<u>1,371,509</u>
Total capital assets, net	<u>\$ 1,988,638</u>	<u>\$ (62,706)</u>	<u>\$ -</u>	<u>\$ (965)</u>	<u>\$ 1,924,967</u>

Depreciation expense for the fiscal year ended June 30, 2022, was \$77,353 and was included in the Child Development Services Function.

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022**

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable on June 30, 2022 consist of \$151,992 owed to various initiatives funded by the Commission.

**NOTE 6- COMPENSATED ABSCENSES**

Compensated absences represent the liability for unpaid vacation leave, holidays, sick leave, and other compensated absences with similar characteristics. Compensated absences liability activities for the fiscal year ended June 30, 2022, is as follows:

	Balances July 1, 2021	Increases	Decreases	Balances June 30, 2022	Due Within One Year	Due in More than One Year
Compensated Absences	\$ 35,516	\$ 58,719	\$ 40,262	\$ 53,973	\$ 11,396	\$ 42,577

**NOTE 7 – 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 fiscal years.

**NOTE 8 – PROGRAM EVALUATION**

The Commission spent \$24,502 on program evaluation during the fiscal year ended June 30, 2022.

**NOTE 9 – 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 \$17,570 for the fiscal year ended June 30, 2022.

**NOTE 10 – 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 11 – DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended June 30, 2022, expenditures exceeded appropriations as follows:

Expenditures	Amount
Capital Outlay	\$ 14,647

**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2022**

**NOTE 12 – LEASES**

The Commission had four (4) lease agreements in place as of June 30, 2022. Revenue recognition is in accordance with GASB Statement No. 87. Summarized information for each lease is as follows:

The Commission receives revenue from operating leases of office space leased in the Madera and Chowchilla Family Resource Center. The leases cover periods ranging from two (2) to three (3) years. Total expected payments to be collected within one year is \$34,256.

On October 1, 2019, the Commission entered into a lease with the Madera County Public Health Department to allow their property to be utilized for office space in Chowchilla, California. The original lease term was for three (3) years. Initial rent payments were \$1,500 a month. Payments received during the fiscal year were \$18,000 from July 1, 2021, through June 30, 2022. The current lease will expire on September 30, 2022.

On July 1, 2020, the Commission entered into a lease with the Community Action Partnership of Kern County to allow a portion of their property to be utilized for office space. The original lease term was for three (3) years. Initial rent payments were \$617 a month. Payments received during the fiscal year were \$7,402 from July 1, 2021, through June 30, 2022. The current lease will expire on June 30, 2023.

On July 1, 2021, the Commission entered into a lease with the California Health Collaborative to allow a portion of their property to be utilized for office space. The original lease term was for two(2) years. Initial rent payments were \$875 a month. Payments received during the fiscal year were \$10,498 from July 1, 2021, through June 30, 2022. The current lease will expire on June 30, 2023.

On September 1, 2021, the Commission entered into a lease with the CASA of Fresno and Madera Counties to allow a portion of their property to be utilized for office space. The original lease term was for two(2) years. Initial rent payments were \$988 a month. Payments received during the fiscal year were \$9,876 from September 1, 2021, through June 30, 2022. The current lease will expire on August 31, 2023.

**NOTE 13- DEFERRED INFLOWS OF RESOURCES**

Unavailable revenues are deferred in accordance with GASB Statement. No. 87 The Commission has unavailable revenues of Leases receivables. The balance of unavailable revenues reported as deferred inflows of resources at June 30, 2022, was \$36,124.

**NOTE 14- 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 balances 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 plan that are subject to change. Fund balances have been committed as the funds can only be used for First 5 related activities.

**NOTE 15- SUBSEQUENT EVENTS**

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine in these events are required to be disclosed in these financial statements. Management has determined if these events are required to be disclosed in these financial statements. Management has determined to disclose, two subsequent leases: One for twenty-four (24) months with a monthly payment of \$1,948 a month, and a six (6) month lease with a monthly payment of \$1,238 to be executed after June 30, 2022. These subsequent events have been evaluated through November 22, 2022, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**



**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30,2022**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Budgetary Fund Balance, beginning of the fiscal year	\$ 4,611,140	\$ 5,229,302	\$ 5,229,302	\$ -
<b>REVENUES</b>				
Proposition 10 & 56 apportionment	1,271,784	1,271,784	1,425,138	153,354
Investment earnings (loss)	20,000		(169,811)	(169,811)
Other grants and services	303,084	246,474	212,317	(34,157)
<b>Total Revenues</b>	<b>1,594,868</b>	<b>1,518,258</b>	<b>1,467,644</b>	<b>(50,614)</b>
<b>EXPENDITURES</b>				
Administrative costs	416,970	349,949	319,091	30,858
Program costs	1,318,666	1,430,963	1,155,634	275,329
Evaluation costs	59,793	59,594	24,502	35,092
Capital outlay			14,647	(14,647)
<b>Total Expenditures</b>	<b>1,795,429</b>	<b>1,840,506</b>	<b>1,513,874</b>	<b>326,632</b>
Net Change in Fund Balance	(200,561)	(322,248)	(46,230)	276,018
Fund Balance, End of Fiscal Year	\$ 4,410,579	\$ 4,907,054	\$ 5,183,072	\$ 276,018

**SUPPLEMENTARY INFORMATION**

**FIRST 5 MADERA COUNTY  
 CHILDREN AND FAMILIES COMMISSION  
 SUPPLEMENTAL SCHEDULE OF  
 FIRST 5 CALIFORNIA (F5CA) FUNDING  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<u>Program or Project Title</u>		<u>REVENUE</u> <u>F5 CA FUNDS</u>	<u>EXPENDITURES</u>	<u>CHANGE IN</u> <u>NET POSITION</u>	<u>NET POSITION</u> <u>BEG OF FISCAL YEAR</u>	<u>NET POSITION</u> <u>END OF FISCAL YEAR</u>
First 5 IMPACT Program	F5 CA Program Funds	\$ 109,945	\$ 109,945	\$ -	\$ -	\$ -
	County, Local Funds					
<b>TOTAL F5 CA FUNDS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



# MOSS, LEVY & HARTZHEIM LLP

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the First 5 Madera County Children and Families Commission (the Commission), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the First 5 Madera County Children and Families Commission's basic financial statements, and have issued our report thereon dated November 22, 2022.

### *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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, as identified in the accompanying schedule of findings and recommendations as finding 2022-001.

*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.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, CA  
November 22, 2022



# MOSS, LEVY & HARTZHEIM LLP

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### *Report on Compliance*

### *Opinion*

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 fiscal year ended June 30, 2022.

In our opinion, the Commission complied, in all material respects, with the exception of noncompliance as described in the accompanying Schedule of Findings and Recommendations item 2022-001, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Family Program for the fiscal year ended June 30, 2022.

### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California’s Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over compliance. Accordingly, we express no such opinion; and
- Select and test 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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Other Matters**

The results of our auditing procedure disclosed an instance of noncompliance which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

Government auditing Standards require the auditor to perform limited procedures on the Commission’s response to noncompliance findings identified in our audit and described in the accompanying schedule of findings as questioned cost. The Commission’s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

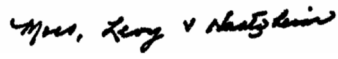
**Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act. Accordingly, this report is not suitable for any other purpose.



Moss, Levy & Hartzheim, LLP  
Culver City, California  
November 22, 2022



**FIRST 5 MADERA COUNTY  
CHILDREN AND FAMILIES COMMISSION  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**2022-001 Finding – Non-Compliance:**

Criteria:

In accordance with administrative cost requirements of 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 the administrative cost. Health and Safety Code section 13014(d)(5) and 13151(b)(2).

Condition:

The Commission's administrative actual cost percentage was twenty-one percent (21%) which exceeds the Commission's approved administrative cost limit of twenty percent (20%) for fiscal the year ended June 30, 2022.

Cause of Condition:

Although an administrative cost definition, a monitoring process, and an approved budget allowance were in place, the actual administrative expenses exceeded the allowable 20% due to programmatic costs coming in below budget.

Effect of Condition:

The Commission exceeded the allowed administrative limit threshold approved by the Commission March 2, 2022. If administrative cost noncompliance is not addressed then the State may withhold future allocations.

Recommendation:

The Commission should review the actual administrative costs each month for both the current month and year to date totals on a monthly basis.

Management Response.

As noted in the Cause of Condition section, the Commission complies with the statutory requirements. The actual administrative expenditures were \$324,173, below the Commission's approved administrative cost of \$349,949 of the operating budget. However, the programmatic community grants expenses were underspent as community partners continued to experience staffing and other challenges resulting from the pandemic. The actual administrative costs for the current fiscal year compared to the approved budget were 21%, exceeding the approved threshold.

The Commission will continue monitoring the actual administrative expenses and programmatic spending proactively throughout the year. And if needed, to the extent possible, will develop corrective action plans during the fiscal year while remaining good stewards of public funds 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 FISCAL YEAR ENDED JUNE 30, 2021**

**Finding 2021-001 – Non-Compliance:**

Criteria:

In accordance with administrative cost requirements of 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 the cost. Health and Safety Code section 13014(d)(5) and 13151(b)(2).

Condition:

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

Cause of Condition:

The Commission had a turnover of the Executive Director and during the use of a hired firm as the interim director, the budget for the current year was created in which the allocation for the administrative cost was in excess of the Commission’s properly approved rate of fifteen percent (15%).

Effect of Condition:

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

Recommendation:

The Commission should properly budget and monitor throughout the fiscal year administrative cost to ensure compliance and that actual expenses for the fiscal year are under the fifteen percent (15%) Commission approved threshold. The Commission needs to ensure the administrative costs are monitored and a corrective action plan is put in 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 current fiscal year, management calculated the administrative limit by comparing the actual administrative cost to the total budget expenses. Furthermore, the total budget expenses included the total reserves. This had resulted in administrative cost not exceeding the Commission adopted limit. If the same methodology was used for the current fiscal year, the administrative cost would have been in compliance with the Commission adopted limit.

The audit procedures performed during the fiscal year ended June 30, 2021, calculated administrative cost percentage by comparing the actual administrative cost to the total actual expenses which resulted in administrative cost exceeding Commission’s approved rate. In addition, due to COVID-19 pandemic challenges, the Agency was not able to fully expend budgeted programmatic expenses which further caused the administrative cost 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 fiscal year. The quarterly financial report to the Commission will include the administrative cost percentage. This will enable the Commission and management to create corrective actions plans, if needed, during the fiscal year to ensure the administrative cost stay in compliance.

Current Status:

Not implemented. See Finding 2022 – 001.