

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2024**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, the respective budgetary comparison for the general fund, 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 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, 2024, 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.

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 Auditors' 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 opinion.

Responsibilities of Management 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.

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.

Auditors' 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 auditors' report that includes our opinion. 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 management's discussion and analysis on pages 4-8 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 (GASB), 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 Supplemental Schedule of First 5 California (F5CA) Funding is presented for purposes of additional analysis and is not required parts of the basic financial statements. The Supplemental Schedule of First 5 California (F5CA) Funding on page 33 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 Supplemental Schedule of First 5 California (F5CA) Funding is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, 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 & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson + Company, Inc." The signature is written in a cursive, flowing style.

Fresno, California
December 2, 2024

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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 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, 2024. 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 \$6,648,808 as of June 30, 2024 (compared to \$6,865,620 as of June 30, 2023). The amount as of June 30, 2024 includes: Capital assets, primarily buildings and equipment, net of accumulated depreciation of \$632,025 (compared to \$1,929,110 as of June 30, 2023).
- Overall revenues were \$1,699,647 for the year ended June 30, 2024 (compared to \$1,617,915 for the year ended June 30, 2023), which was less than total expenses of \$1,916,459 for the year ended June 30, 2024 (compared to \$1,806,361 for the year ended June 30, 2023). Expenses were higher than revenue for the year ended June 30, 2024 by \$216,812 which is attributed to grant opportunities available to partner with a community.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts: 1) the financial statements; and 2) the 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, 2024**

The financial statements also include notes that explain some of the information in the statements and provide more detailed 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 - is 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 \$6,648,808 at June 30, 2024 (compared to \$6,865,620 at June 30, 2023). See Table 1 on the following page.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2024**

**TABLE 1
NET POSITION**

	June 30, 2024	June 30, 2023	Change
ASSETS			
Current and other assets	\$ 6,248,162	\$ 5,140,722	\$ 1,107,440
Lease receivable	47,128	15,719	31,409
Capital assets, net of accumulated depreciation	<u>632,025</u>	<u>1,929,110</u>	<u>(1,297,085)</u>
Total Assets	<u>6,927,315</u>	<u>7,085,551</u>	<u>(158,236)</u>
LIABILITIES			
Accounts payable and other liabilities	207,588	169,611	37,977
Compensated absences	<u>26,395</u>	<u>32,733</u>	<u>(6,338)</u>
Total Liabilities	<u>233,983</u>	<u>202,344</u>	<u>31,639</u>
DEFERRED INFLOWS			
Lease receivable	<u>44,524</u>	<u>17,587</u>	<u>26,937</u>
NET POSITION			
Net investment in capital assets	632,025	1,929,110	(1,297,085)
Unrestricted	<u>6,016,783</u>	<u>4,936,510</u>	<u>1,080,273</u>
Total Net Position	<u>\$ 6,648,808</u>	<u>\$ 6,865,620</u>	<u>\$ (216,812)</u>

Changes in Net Position

First 5 Madera County's total revenues for the year ended June 30, 2024 were \$1,699,647 (compared to \$1,617,915 for the year ended June 30, 2023). Revenues of \$1,173,327 for the year ended June 30, 2024 and \$1,235,562 for the year ended June 30, 2023 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, 2024 was \$1,916,459 (compared to \$1,806,361 for the year ended June 30, 2023). 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 increased from last year largely due to increases in capacity building costs specifically for IMPACT incentives and community outreach.

As of June 30, 2024, First 5 Madera County has \$632,025 in net investment in capital assets net position and \$6,016,783 designated as unrestricted net position.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2024**

**TABLE 2
CHANGES IN NET POSITION**

	June 30, 2024	June 30, 2023	Change
Revenues			
Program revenues			
Rents: Family Resource Center	\$ 79,022	\$ 61,554	\$ 17,468
Grants	216,753	206,001	10,752
Proposition 10 Taxes	842,084	922,019	(79,935)
Proposition 56 Taxes	331,243	313,543	17,700
Total Program Revenues	<u>1,469,102</u>	<u>1,503,117</u>	<u>(34,015)</u>
General revenues			
Investment Earnings (Loss)	198,063	89,029	109,034
Miscellaneous Income	32,482	25,769	6,713
Total General revenues	<u>230,545</u>	<u>114,798</u>	<u>115,747</u>
Total Revenues	<u>1,699,647</u>	<u>1,617,915</u>	<u>81,732</u>
Expenses			
Category I: Administrative Costs	273,195	323,701	(50,506)
Category II: Program Costs			
Family Resource Center	551,296	473,131	78,165
Other First 5 Initiatives	840,900	854,754	(13,854)
Capacity Building	8,700	26,020	(17,320)
Category III: Evaluation Costs	92,289	56,684	35,605
Depreciation	71,541	72,071	(530)
Total Expenses	<u>1,837,921</u>	<u>1,806,361</u>	<u>31,560</u>
Loss on sale of capital assets	(78,538)	-	-
Change in Net Position	<u>\$ (216,812)</u>	<u>\$ (188,446)</u>	<u>\$ 50,172</u>

General Fund Budgetary Highlights

Actual amounts for revenues were above budgeted appropriations by \$155,934 mainly due to investment earnings being greater than budgeted and actual amounts for expenditures were below budgeted appropriations by \$228,498 mainly due to program costs being less than budgeted.

CAPITAL ASSETS

The Madera County Children and Families Commission's capital assets for its governmental activities as of June 30, 2024 were \$632,025 net of accumulated depreciation (compared to \$1,929,110, net of accumulated depreciation, as of June 30, 2023). This investment includes land, the Family Resource Center buildings and improvements, furniture, and equipment. During the year ended June 30, 2024, the Commission sold its Chowchilla building and the land in which that building resides on, and disposed of all equipment and furniture within that building resulting in a significant decrease in capital assets as compared to the prior year.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2024**

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

	June 30, 2024	June 30, 2023
Land	\$ 200,000	\$ 553,458
Buildings and Improvements	413,999	1,354,878
Equipment	18,026	20,774
Total	\$ 632,025	\$ 1,929,110

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Madera County Children and Families Commission is committed to directing resources to ensure that children in Madera County have the opportunity to thrive, reach their full potential, and start school healthy and prepared to learn. To achieve this, the Commission has adopted a network strategy aimed at identifying new and sustainable funding sources and resources for systems of care. This approach focuses on coordinating, aligning, and streamlining efforts to continue to serve families more effectively and efficiently.

The Commission's 2020-2024 Strategic Plan highlights its commitment to addressing the challenges faced by families through responsive, collaborative, and innovative approaches. Due to reduced revenue and limited resources, it is increasingly important to leverage existing community partners and enhance initiatives that already have a strong foundation. A unified planning approach will enable more effective use of resources and generate a greater collective impact.

Additionally, the Commission has adopted a formal and comprehensive evaluation plan to assess which programs are effective and have the greatest potential to enhance the health and well-being of unborn children and their families through age five. The evaluation's outcome will inform the Commission's planning and budgeting for future years.

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, 525 E. Yosemite Avenue, Madera, CA 93638, or visit the Commission's website at <https://first5madera.org>.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash and investments	\$ 5,936,445
Due from other governments	311,717
Lease receivable	47,128
Capital assets not being depreciated	200,000
Depreciable capital assets, net	432,025
Total Assets	6,927,315
 LIABILITIES	
Accounts payable and other liabilities	207,588
Long term liabilities	
Portion due within one year:	
Compensated absences	5,279
Portion due in more than one year:	
Compensated absences	21,116
Total Liabilities	233,983
 DEFERRED INFLOWS OF RESOURCES	
Lease related	44,524
 NET POSITION	
Net investment in capital assets	632,025
Unrestricted	6,016,783
Total Net Position	\$ 6,648,808

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, 2024**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Child development services	\$ 1,916,459	\$ 79,022	\$ 1,390,080	\$ (447,357)
Total Primary Government	<u>\$ 1,916,459</u>	<u>\$ 79,022</u>	<u>\$ 1,390,080</u>	<u>(447,357)</u>
General Revenues:				
				198,063
				<u>32,482</u>
				<u>230,545</u>
				(216,812)
				<u>6,865,620</u>
				<u>\$ 6,648,808</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, 2024**

ASSETS

Current Assets	
Cash and investments	\$ 5,936,445
Due from other governments	311,717
Lease receivable	<u>47,128</u>
Total Assets	<u>\$ 6,295,290</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable and other liabilities	<u>\$ 207,588</u>
Total Liabilities	<u>207,588</u>
Deferred Inflows of Resources	
Lease related	<u>44,524</u>
Fund Balance	
Unassigned	<u>6,043,178</u>
Total Fund Balance	<u>6,043,178</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,295,290</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, 2024**

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

Total Fund Balance - Governmental Fund	\$	6,043,178
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$612,722).		632,025
The compensated absences liability is not due in the current period and, therefore, is not included in the governmental fund.		<u>(26,395)</u>
Total Net Position - Governmental Activities	\$	<u><u>6,648,808</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, 2024**

REVENUES

Proposition 10 apportionment	\$	842,084
Proposition 56 apportionment		331,243
Rents: Family Resource Center		79,022
Other grants		216,753
Investment earnings (loss)		198,063
SMIF funds		<u>32,482</u>
 Total Revenues		 <u>1,699,647</u>

EXPENDITURES

Current:		
Child development services:		
Administrative costs		273,195
Program costs		1,407,234
Evaluation costs		<u>92,289</u>
Total child development services		<u>1,772,718</u>
 Capital outlay		 <u>18,030</u>
 Total Expenditures		 <u>1,790,748</u>

Deficiency of Revenues over Expenditures		(91,101)
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OTHER FINANCING SOURCES (USES)

Proceeds from sale of capital assets		<u>1,165,036</u>
 Net Change in Fund Balance		 1,073,935
 Fund Balance, Beginning of Year		 <u>4,969,243</u>
 Fund Balance, End of Year		 <u><u>\$ 6,043,178</u></u>

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, 2024**

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	\$ 1,073,935
<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 by which capital outlay (\$18,030) exceeded depreciation (\$71,541) in the current period.</p>	
	(53,511)
<p>In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. However, in the Statement of Activities, only the resulting gain or loss is reported. The net effect of transactions involving capital assets is to decrease net position. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:</p>	
	(1,243,574)
<p>Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund.</p>	
	<u>6,338</u>
Change in Net Position - Governmental Activities	<u><u>\$ (216,812)</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, 2024**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,056,035	\$ 4,299,336	\$ 4,969,243	\$ 669,907
REVENUES				
Proposition 10 & 56 apportionment	1,126,197	1,159,273	1,173,327	14,054
Investment earnings (loss)	-	50,000	198,063	148,063
Other grants and services	106,252	334,440	328,257	(6,183)
Total Revenues	<u>1,232,449</u>	<u>1,543,713</u>	<u>1,699,647</u>	<u>155,934</u>
EXPENDITURES				
Administrative costs	261,072	280,322	273,195	7,127
Program costs	1,446,345	1,655,694	1,407,234	248,460
Evaluation costs	77,182	83,230	92,289	(9,059)
Capital outlay	-	-	18,030	(18,030)
Total Expenditures	<u>1,784,599</u>	<u>2,019,246</u>	<u>1,790,748</u>	<u>228,498</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	1,165,036	1,165,036
Net Change in Fund Balance	<u>(552,150)</u>	<u>(475,533)</u>	<u>1,073,935</u>	<u>1,549,468</u>
Fund Balance, End of Year	<u>\$ 3,503,885</u>	<u>\$ 3,823,803</u>	<u>\$ 6,043,178</u>	<u>\$ 2,219,375</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.

Leases: The Commission is a lessor for noncancellable leases of buildings. The Commission recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Commission determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Commission uses the interest rate charged to the lessees as the discount rate. When the interest rate charged to the lessees is not provided, the Commission generally uses the implied rate of return as the discount rate for leases. When the implied rate of return cannot be determined, the Commission uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 leave earned is based on the years of continuous service. The amount of sick leave earned is 12 days per year if the employee works 30 or more days within a year. All vacation pay is accrued when incurred, while sick leave has no cash value at the time of separation or termination. The maximum amount of vacation hours an employee can accrue is 300 hours, while sick time has a cap of 160 hours.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued): 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, 2024, 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 which 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.

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

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

As of June 30, 2024, 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.

**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: During the year ending June 30, 2024, the Commission implemented the following standards:

GASB Statement No. 99 – *Omnibus 2022*. The requirements related to leases, PPPs, and SBITAs of this statement are effective for reporting periods beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections – an amendment of GASB statement No. 62*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

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

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

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 December 2, 2024, 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:	
Cash and investments in Madera County Treasury	\$ 5,571,278
Deposits with financial institutions	365,167
Total cash and investments	\$ 5,936,445

The Commission is authorized under the 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.

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

NOTE 2 – CASH AND INVESTMENTS (continued)

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:

<u>Investment Type</u>	<u>Remaining Maturity in Months</u>	
	Amount	12 months or less
Cash and investments, County Treasury	<u>\$ 5,571,278</u>	<u>\$ 5,571,278</u>

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, County Treasury	<u>\$ 5,571,278</u>	Not Rated

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 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 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.

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

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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, 2024 are as follows:

	Amount
State of CA - Proposition 10 Tobacco Tax & Grants	\$ 270,472
Other governments	41,245
	\$ 311,717

NOTE 4 – CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2024 were as follows:

	Beginning Balance	Increases	Deletions & Adjustments	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 553,458	\$ -	\$ (353,458)	\$ 200,000
Total capital assets not being depreciated	553,458	-	(353,458)	200,000
Capital assets being depreciated:				
Buildings and improvements	2,246,504	10,661	(1,444,683)	812,482
Equipment	319,736	7,369	(94,840)	232,265
Total capital assets being depreciated	2,566,240	18,030	(1,539,523)	1,044,747
Less accumulated depreciation:				
Buildings and improvements	(891,626)	(62,250)	555,393	(398,483)
Equipment	(298,962)	(9,291)	94,014	(214,239)
Total accumulated depreciation	(1,190,588)	(71,541)	649,407	(612,722)
Total capital assets being depreciated, net	1,375,652	(53,511)	(890,116)	432,025
Total capital assets, net	\$ 1,929,110	\$ (53,511)	\$ (1,243,574)	\$ 632,025

Depreciation expense for the year ended June 30, 2024 was \$71,541.

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

NOTE 5 – ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable at June 30, 2024 consist of \$207,588 owed to various initiatives funded by the Commission.

NOTE 6 – COMPENSATED ABSENCES

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, 2024, is as follows:

<u>Balances July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2024</u>	<u>Due Within One Year</u>	<u>Due in More than One Year</u>
\$ 32,733	\$ 40,972	\$ 47,310	\$ 26,395	\$ 5,279	\$ 21,116

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 years.

NOTE 8 – PROGRAM EVALUATION

The Commission spent \$92,289 on program evaluation during the year ended June 30, 2024.

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. If the participant makes a salary reduction contribution of 3% or more, the Commission will make an 8% 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 \$32,160 for the year ended June 30, 2024.

NOTE 10 – ECONOMIC DEPENDENCY

The Commission is primarily funded by Proposition 10 and Proposition 56 Tobacco Tax funds, which makes up 69% of revenue. Any reduction in Tobacco Tax revenues will impact the Commission's ability to perform services.

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

NOTE 11 – DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2024, expenditures exceeded appropriations as follows:

Expenditures	Amount
Evaluation costs	\$ 9,059
Capital outlay	18,030

NOTE 12 – LEASE RECEIVABLE

The Commission reported leases receivable of \$47,128 as of June 30, 2024. For the year ended June 30, 2024, the Commission reported \$42,961 in lease revenues and \$3,055 in lease interest revenues.

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 years, and it expired on June 30, 2023. Initial rent payments were \$617 a month. The Commission renewed the lease on July 1, 2023. The new lease term is for three years and is to expire on June 30, 2026. The initial rent payments are \$1,223 a month and will have 5% increases per year.

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 years, and it expired on June 30, 2023. Initial rent payments were \$875 a month. The Commission renewed the lease on July 1, 2023. The new lease term is for two years and is to expire on June 30, 2025. The initial rent payments are \$875 a month and will have 5% increases per year.

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 years. Initial rent payments were \$988 a month. The lease expired on August 31, 2023.

On October 25, 2022, the Commission entered into a lease with Exceptional Parents Unlimited to allow a portion of their property to be utilized for office space. The original lease term is for two years. Initial rent payments are \$1,239 a month. The lease will expire on October 31, 2024.

Interest rates assessed on the leases range from .24% to 5.0%.

The leases are summarized below by lease holder as follows:

Lease Holder	Lease Receivable	Lease Revenue	Lease Interest Revenue
Community Action Partnership of Kern County	\$ 29,988	\$ 14,307	\$ 1,709
California Health Collaborative	10,730	10,244	732
CASA of Fresno and Madera Counties	-	1,974	-
Exceptional Parents Unlimited	6,410	16,436	614
Total	\$ 47,128	\$ 42,961	\$ 3,055

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

NOTE 12 – LEASE RECEIVABLE (continued)

Future lease principal payments due to the Commission under non-cancelable agreements are as follows:

Fiscal Year Ended	Principal	Interest
<u>June 30</u>		
2025	\$ 31,312	\$ 1,553
2026	<u>9,417</u>	<u>440</u>
Total	<u>\$ 40,729</u>	<u>\$ 1,993</u>

NOTE 13 – DEFERRED INFLOWS OF RESOURCES

Unavailable revenues are deferred in accordance with GASB Statement No. 87. The Commission has unavailable revenues from leases receivable. The balance of unavailable revenues reported as deferred inflows of resources at June 30, 2024 was \$44,524.



**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, 2024, the related notes to the financial statements, and the respective budgetary comparison for the general fund, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 2, 2024.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

HUDSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson + Company, Inc." in a cursive style.

Fresno, California
December 2, 2024



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on Compliance

Opinion

We have audited the First 5 Madera County 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, 2024.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2024.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' 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 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 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 or laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

Auditors' 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 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.

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 GAAS, *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 consider 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 controls 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.

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 Auditors’ 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.

HUDSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson + Company, Inc." The signature is written in a cursive, flowing style.

Fresno, California
December 2, 2024

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2024**

There were no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2024.

**FIRST 5 MADERA COUNTY
CHILDREN AND FAMILIES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2023**

There were no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2023.

**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, 2024**

<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	\$ 121,229	\$ 121,229	\$ -	\$ -	\$ -
	County, Local Funds	-	-	-	-	-
TOTAL F5CA FUNDS		\$ 121,229	\$ 121,229	\$ -	\$ -	\$ -