

**FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND**

Independent Auditor's Reports, Management's
Discussion and Analysis, Financial Statements, and
Supplementary Information

For the Year Ended June 30, 2022



Certified
Public
Accountants

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Independent Auditor's Reports, Management's Discussion and Analysis,
Financial Statements, and Supplementary Information
For the Year Ended June 30, 2022

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Independent Auditor's Report

Tuolumne County Board of Supervisors
Sonora, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First 5 Tuolumne County (First 5), a special revenue fund of the County of Tuolumne (County), as of and for the year ended June 30, 2022, and the related notes to the 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 financial position of First 5 Tuolumne County, as of June 30, 2022, and the changes in its financial position and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 First 5, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the First 5 Tuolumne County special revenue fund and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2022, the changes in its financial position and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

First 5's 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.

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 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 GAAS 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 GAAS 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 First 5'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.

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 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the First 5's financial statements. The schedule of revenues, expenditures and change in fund balance of First 5 California Funds is presented for purposes of additional analysis and is not a required part of the First 5's financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures and change in fund balance of First 5 California Funds is fairly stated, in all material respects, in relation to the First 5 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of the First 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the First 5's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the First 5's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
October 20, 2022

Management's Discussion and Analysis
For the Year Ended June 30, 2022

On November 3, 1998, California voters approved Proposition 10 – the Children and Families Act (Act). The Act imposed additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The Tuolumne County Board of Supervisors created First 5 Tuolumne County in 1998 under the provisions of the Act. First 5 Tuolumne County is administered by a commission of seven members (Commission) appointed by the Tuolumne County Board of Supervisors. Although First 5 Tuolumne County is an agency of the County, its Commission has independent decision-making authority. First 5 Tuolumne County allocates funds to community programs that provide services consistent with both the Act and with the Commission's approved Strategic Plan, primarily through the mechanism of grant-making. The program areas under which Proposition 10 funds are allocated include: (1) improved family functioning; (2) improved child development; (3) improved child health; and (4) improved systems of care.

As management of First 5 Tuolumne County, we offer readers of our financial statements this narrative overview and analysis of First 5 Tuolumne County's financial activities for the fiscal year ended June 30, 2022.

Overview of the Financial Statements

First 5 Tuolumne County presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments*. First 5 Tuolumne County's financial statements comprise two components: (1) special revenue fund financial statements and (2) notes to the financial statements. In addition to the financial statements, this report includes supplementary information regarding programs supported with First 5 California funds.

Special Revenue Fund Financial Statements

First 5 Tuolumne County, like other local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

- a) The *Balance Sheet – By Program* presents information on all of First 5 Tuolumne County's assets and liabilities, with the difference between the two reported as fund balance. This statement can be found on page 7 of this report. Following is a summary comparison of prior year to current year balance sheet:

	2022	2021	Change	
			Dollar	Percentage
Total Assets	\$1,096,134	\$1,024,394	\$ 71,740	7.0%
Total Liabilities	177,657	169,411	8,246	4.9%
Total Fund Balance	<u>\$ 918,477</u>	<u>\$ 854,983</u>	<u>\$ 63,494</u>	7.4%

- b) The *Statement of Revenues, Expenditures and Change in Fund Balance – By Program* presents information showing how First 5 Tuolumne County's fund balance changed during the most recent fiscal year. This statement details revenues and expenditures by the following programs: (1) General, (2) Quality Counts, and (3) Small Population County Funding Augmentation. This statement details expenditures under the categories of administrative, program, or evaluation, as defined in the First 5 Financial Management Guide. This statement can be found on page 8 of this report.

Following is a summary comparison of prior year to current year statement of revenues, expenditures and change in fund balance:

	2022	2021	Change	
			Dollar	Percentage
Revenues:				
Intergovernmental:				
Federal:				
U.S Department of Health and Human Services via California Department of Education	\$ 32,084	\$ 31,716	\$ 368	1.2%
State:				
Tobacco taxes	321,255	321,899	(644)	-0.2%
First 5 California	254,756	204,706	50,050	24.4%
California Department of Education via Tuolumne County Superintendent of Schools	32,416	33,109	(693)	-2.1%
Surplus Money Investment Fund	153	195	(42)	-
Local	143,850	36,000	107,850	299.6%
Interest	8,978	7,830	1,148	14.7%
Total revenues	<u>793,492</u>	<u>635,455</u>	<u>158,037</u>	24.9%
Expenditures:				
Administrative	59,923	45,321	14,602	32.2%
Program	653,382	514,248	139,134	27.1%
Evaluation	16,693	9,728	6,965	71.6%
Total expenditures	<u>729,998</u>	<u>569,297</u>	<u>160,701</u>	28.2%
Change in fund balance	63,494	66,158	(2,664)	-4.0%
Fund balance, beginning	<u>854,983</u>	<u>788,825</u>	<u>66,158</u>	8.4%
Fund balance, ending	<u>\$918,477</u>	<u>\$854,983</u>	<u>\$ 63,494</u>	7.4%

The revenue increases were caused by increases in both local programs and the Small Population County Funding Allocation (SPCFA) funding.

The expenditure increases were also caused by the new local programs, such as Unite Tuolumne. The increase in SPCFA funding led to increases in the following programs: Infant Child Enrichment Services (ICES) Raising Healthy Families, the Amador-Tuolumne Community Action Agency (ATCAA) Family Learning Center, and the Tuolumne County Superintendent of Schools (TCSOS) Supporting Emotional Learning Foundations (SELF) programs.

First 5 Tuolumne County's fund balance increased by \$63,494 during the current fiscal year. The Commission wishes to spend down its accumulated fund balance according to its long-term financial plan, and will check the financial assumptions for next year to ensure that this occurs. The long-term financial plan calls for using federal, state, regional, and local revenues plus the fund balance to sustain a level of programs and services at a level higher than could be supported by annual revenues alone. At June 30, 2022, fund balance includes committed funds.

- c) The Commission adopts an annual budget. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget and can be found on page 9 of this report. The Commission's budgets are conservative; however, there are many variables affecting both actual revenues and expenditures during a fiscal year. The actual revenue and expenditure figures will be taken into account when the Commission revisits the long-term financial plan.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report, and include a summary of significant accounting policies, cash and investments, detailing of professional services, a certification that First 5 Tuolumne County funds were not used to supplant, and program evaluation costs.

Beyond Fiscal Year 2021-22

The Commission's 4-year strategic and financial plan, amended in September 2018, has been extended to fiscal year 2022-23. The Financial Plan forecast assumes an annual decrease in both revenues and expenditures. The plan assumes that the fund balance will be spent down to the annual revenue level at the end of the funding cycle, leaving only enough for cash flow and contingencies.

Requests for Information

This financial report is designed to provide a general overview of First 5 Tuolumne County's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to First 5 Tuolumne County, Tuolumne County Superintendent of Schools Office, 175 Fairview Lane, Sonora, California 95370.

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Balance Sheet - By Program
June 30, 2022

	General	Quality Counts	Small Population County Funding Augmentation	Total
Assets				
Cash and investments	\$ 740,925	\$ -	\$ -	\$ 740,925
Due from other programs	124,262	-	-	124,262
Due from other governments	101,787	97,959	31,201	230,947
	<u>966,974</u>	<u>97,959</u>	<u>31,201</u>	<u>1,096,134</u>
Total assets	<u>\$ 966,974</u>	<u>\$ 97,959</u>	<u>\$ 31,201</u>	<u>\$ 1,096,134</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 48,497	\$ 4,898	\$ -	\$ 53,395
Due to other program	-	93,061	31,201	124,262
	<u>48,497</u>	<u>97,959</u>	<u>31,201</u>	<u>177,657</u>
Total liabilities	<u>48,497</u>	<u>97,959</u>	<u>31,201</u>	<u>177,657</u>
Fund balance:				
Committed	<u>918,477</u>	<u>-</u>	<u>-</u>	<u>918,477</u>
Total liabilities and fund balance	<u>\$ 966,974</u>	<u>\$ 97,959</u>	<u>\$ 31,201</u>	<u>\$ 1,096,134</u>

See accompanying notes to the financial statements.

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Statement of Revenues, Expenditures and
Change in Fund Balance - By Program
For the Year Ended June 30, 2022

	General	Quality Counts	Small Population County Funding Augmentation	Total
Revenues:				
Intergovernmental:				
Federal:				
U.S. Department of Health and Human Services via California Department of Education	\$ -	\$ 32,084	\$ -	\$ 32,084
State:				
Tobacco taxes	321,255	-	-	321,255
First 5 California	-	60,164	194,592	254,756
California Department of Education via Tuolumne County Superintendent of Schools	-	32,416	-	32,416
Surplus Money Investment Fund	153	-	-	153
Local:				
Anthem Blue Cross	50,000	-	-	50,000
County Behavioral Health	20,000	-	-	20,000
Imagination Library	5,000	-	-	5,000
Unite Tuolumne	68,850	-	-	68,850
Interest	8,978	-	-	8,978
Total revenues	<u>474,236</u>	<u>124,664</u>	<u>194,592</u>	<u>793,492</u>
Expenditures:				
Administrative:				
Professional services	51,500	-	-	51,500
Dues and memberships	4,000	-	-	4,000
Advertising	4,423	-	-	4,423
Program:				
Grants and programs	296,775	124,664	194,592	616,031
Professional services	37,351	-	-	37,351
Evaluation:				
Professional services	16,693	-	-	16,693
Total expenditures	<u>410,742</u>	<u>124,664</u>	<u>194,592</u>	<u>729,998</u>
Change in fund balance	63,494	-	-	63,494
Fund balance, July 1, 2021	<u>854,983</u>	<u>-</u>	<u>-</u>	<u>854,983</u>
Fund balance, June 30, 2022	<u>\$ 918,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 918,477</u>

See accompanying notes to the financial statements.

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Statement of Revenues, Expenditures and
Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental:				
Federal:				
U.S. Department of Health and Human Services via California Department of Education	\$ 39,286	\$ 44,233	\$ 32,084	\$ (12,149)
State:				
Tobacco taxes	476,532	542,070	516,000	(26,070)
First 5 California	82,000	82,112	60,164	(21,948)
California Department of Education via Tuolumne County Superintendent of Schools	35,659	35,659	32,416	(3,243)
Local:				
Anthem Blue Cross	-	-	50,000	50,000
County Behavioral Health	20,000	20,000	20,000	-
Imagination Library	10,000	5,000	5,000	-
Unite Tuolumne	-	100,000	68,850	(31,150)
Interest	8,400	8,400	8,978	578
Total revenues	<u>671,877</u>	<u>837,474</u>	<u>793,492</u>	<u>(43,982)</u>
Expenditures:				
Administrative:				
Professional services	45,222	51,529	51,500	29
Dues and memberships	4,000	4,000	4,000	-
Advertising	250	4,423	4,423	-
	<u>49,472</u>	<u>59,952</u>	7% <u>59,923</u>	8% <u>29</u>
Program:				
Grants and programs	582,700	698,300	616,031	82,269
Professional services	62,192	58,193	37,351	20,842
	<u>644,892</u>	<u>756,493</u>	91% <u>653,382</u>	90% <u>103,111</u>
Evaluation:				
Professional services	13,599	16,707	2% 16,693	2% 14
Total expenditures	<u>707,963</u>	<u>833,152</u>	<u>100% 729,998</u>	<u>100% 103,154</u>
Change in fund balance	(36,086)	4,322	63,494	59,172
Fund balance, July 1, 2021	<u>854,983</u>	<u>854,983</u>	<u>854,983</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 818,897</u>	<u>\$ 859,305</u>	<u>\$ 918,477</u>	<u>\$ 59,172</u>

See accompanying notes to the financial statements.

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

First 5 Tuolumne County (First 5) was established by the Tuolumne County Board of Supervisors in 1998 under the provisions of the California Children and Families Act of 1998 (Act). First 5 is an agency of the County of Tuolumne, California (County) as permitted under Section 130140.1(a) of the California Health and Safety Code. Accordingly, the First 5 financial statements are included as a special revenue fund in the County's financial statements. The purpose of First 5 is to develop, adopt, promote and implement early childhood development programs in the County consistent with the goals and objectives of the Act. The First 5 programs are primarily funded by taxes levied by the State of California on tobacco products.

First 5 is administered by a commission of seven members, the First 5 Tuolumne County Commission (Commission), which are appointed by the County Board of Supervisors. The membership consists of representatives from key social service, health and early child education agencies and organizations in the County, as well as parents of young children.

Pursuant to State Law, upon termination of First 5, any unencumbered or unexpended resources of First 5 shall be returned to the State of California.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 County considers revenues to be available if they are collected within 120 days of the end of the current fiscal period, except for some intergovernmental revenues. For some intergovernmental revenues, the County considers them available if they are collected within 365 days. Revenues susceptible to accrual include intergovernmental, interest, and fees for services. Intergovernmental revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, provided the revenues are available. Expenditures generally are recorded when a liability is incurred.

The balance sheet and statement of revenues, expenditures and change in fund balance for this special revenue fund presents separate columns for initiatives funded by entities other than First 5. The initiatives are: (1) the Quality Counts and (2) Small Population County Funding Augmentation. A description of the initiatives and programs follows:

Quality Counts – This initiative is part of a statewide initiative to support quality improvement in early education settings. It is funded, in Tuolumne County, by multiple funding sources including federal and state.

**FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND**
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Three grants are currently reflected in these financial statements under the Quality Counts Initiative.

- *IMPACT Program* – First 5 California provides IMPACT grant funds to First 5 to support quality improvements in local early education and family support sites, through implementation of a Quality Rating Improvement System (QRIS). This funding supports a variety of approaches that are site specific and that align with a statewide QRIS matrix. First 5 entered into a three-year agreement with First 5 California to implement IMPACT in Tuolumne County from fiscal year 2019-20 through fiscal year 2022-23. The program is operated through subcontracts to partner agencies and through Quality Improvement Plan agreements with IMPACT sites, in accordance with the local IMPACT plan approved by First 5 California.
- *California Department of Education (CDE) Preschool Program Quality Rating Improvement System Block Grant and U.S. Health and Human Services Infant/Toddler Quality Rating Improvement System Block Grant* – These annual grants align with the purpose and approach of the IMPACT funds, but are dedicated to specific early education sites. Together with IMPACT funds as well as other CDE funds coming to other providers in the County, these combined funds support the Quality Counts initiative for any licensed early education site in Tuolumne County. A local consortium determines how the different funds are utilized.

Small Population County Funding Augmentation – First 5 California augments local tobacco tax revenues for 20 eligible small counties under a three-year agreement, through fiscal year 2023-24. This augmentation is based on the recognition that the statutory funding formula for counties under the Children and Families Act did not provide adequate funds for low birth rate counties to operate effective First 5 programs. The funds are awarded consistent with an approved formula and payment schedule, upon receipt of required documentation and reporting. First 5 allocates these funds to support specific programs, consistent with the Local Area Agreement with First 5 California.

The remaining amounts that are not related to the identified Quality Counts or Small Population County Funding Augmentation are presented in the financial statements in the column labeled General.

The accompanying financial statements present only the First 5 Tuolumne County special revenue fund of the County and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2022, the changes in its financial position and budgetary comparison for the year then ended.

Fund Balance

Under Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is reported in one or more of the following five categories:

Nonspendable fund balance includes elements of fund balance that cannot be spent because of their form. For example, assets that will never convert to cash, such as prepaid expenditures.

**FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND**
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted fund balance includes resources that are subject to constraints that are externally enforceable legal restrictions that include:

- Funding from First 5 California or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 California under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by county, state, or federal legislature, or a government's charter or constitution.

Tobacco tax allocations to county commissions are not automatically categorized as restricted. This is because the purposes for which tobacco tax allocations may legally be used are no narrower than the purpose for which the commissions were created in Proposition 10 enabling legislation.

Two criteria determine if fund balance is **committed** as follows:

- The use of funds is constrained by limits imposed by the government's highest level of decision-making authority; and
- Removal or modification of the use of funds can be accomplished only by formal action of the authority that established the constraints.

The highest level of decision-making is the Commission. Although First 5 is an agency of the County, its Commission has independent decision-making authority. Both commitments and modification or removal must occur prior to the end of the reporting period. Formal action of the Commission will be defined as an action taken at a publicly-noticed Commission meeting. For First 5 organizations, resources in this category would include:

- Resources committed for a future initiative as long as Commission action is also required to remove this commitment;
- Resources that have been committed by the Commission for specific agreements that have not yet been executed (such as an Intent to Award Decision), where Commission action is also required to remove this commitment;
- Resources committed as the local match for a First 5 California initiative; and
- Funding that has been set aside for previously-executed legally-enforceable contracts, but not yet spent, including multi-year contracts, if such contracts have been approved by the Commission and if cancellation of such contracts would require Commission approval.

**FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND**
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balance reflects the Commission's intended use of resources. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year's budget;
- Resources assigned to a specific program or project or organization for which the Commission has approved a plan or budget; and
- Resources approved by the Commission for a long-range financial plan where formal approval is not required to modify the amount.

For First 5, the Commission can assign amounts under this category, and the Commission has authorized the Executive Director to assign amounts under this category when that decision is consistent with the approved long-term financial plan.

Any resources that cannot be classified into any of the previous four categories are categorized as **unassigned**.

Due to the nature of First 5 business, there is no foreseeable situation where an expenditure would be incurred for purposes for which amounts in more than one of the fund balance classifications could be used. All expenditures normally incurred by First 5 can be clearly delineated into one of the fund balance classifications previously noted. If a situation arises where there is a possibility of assignment into more than one category, the restricted amount will be reduced first, followed by committed, assigned, and then unassigned amounts. The Executive Director, under the direction of the Commission, shall clearly identify the specific intended use of the fund balance at year-end under one of the categories, and will track the assignments accordingly.

The Commission has not adopted a policy that sets forth a minimum fund balance amount. However, the Commission's adopted Long-Range Financial Plan states that funds shall be allocated so that the projected year-end fund balance is adequate to cover the following year's planned expenditures, over the term of the four-year granting cycle.

Use of Estimates

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

Budget and Budgetary Reporting

By law, the Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The Commission adopted an annual budget for the year ended June 30, 2022, which was prepared on the modified accrual basis of accounting consistent with GAAP. Budgetary control for the First 5 is exercised at the department level and all appropriations lapse at year-end.

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS

All of the First 5 cash and investments at June 30, 2022 were held in the County investment pool (pool), which is not rated by national credit rating agencies. The pool is maintained by the County Treasurer and includes resources of the County and other non-County entities for the purpose of increasing interest income through pooled investment activities. The County pool is not registered with the Securities and Exchange Commission as an investment company. Interest is apportioned to First 5 based on its average daily balances on deposit in the pool. The weighted average to maturity of the pool's investments was 505 days as of June 30, 2022.

First 5's portion of the pool is measured at fair value. However, investments in investment pools are not subject to the fair value hierarchy established by GAAP.

First 5 Tuolumne County's portion of the pool is \$740,925 as of June 30, 2022.

The value of participant shares in the pool, and the amount that can be withdrawn at any point, is determined on an amortized cost basis in daily operations, and is adjusted to fair value at year-end for financial reporting purposes.

Information regarding the individual investments within the County's pool, and their credit risk (including concentrations of credit risk and custodial credit risk) and interest-rate risk, can be found in the County's annual comprehensive financial report.

NOTE 3 – PROFESSIONAL SERVICES

The professional services expenditures balance for the year ended June 30, 2022, is detailed as follows:

Contracts for administration, program management, and evaluation	\$ 87,429
Accounting and auditing	14,800
County counsel	3,000
Auditor-controller	<u>315</u>
Total professional services	<u><u>\$ 105,544</u></u>

NOTE 4 – SUPPLANT CERTIFICATION

First 5 funds (all funds presented under the state intergovernmental category in these financial statements, as well as interest earned) have been used only to supplement existing levels of service and not to supplant state or local General Fund money for any purpose (Section 30131.4 of the Revenue and Taxation Code).

NOTE 5 – PROGRAM EVALUATION

First 5 Tuolumne County spent \$16,693 on program evaluation during the year ended June 30, 2022.

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 6 – COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally. There was no significant impact of COVID-19 on the First 5's current year financial statements. At this time, First 5 cannot estimate the impact that COVID-19 may have on its future years' financial statements.

SUPPLEMENTARY INFORMATION

FIRST 5 TUOLUMNE COUNTY
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Change in
Fund Balance of First 5 California Funds
For the Year Ended June 30, 2022

	IMPACT Program	Small Population County Funding Augmentation
Revenues:		
First 5 California funds:		
Receipts	\$ 24,451	\$ 163,391
Plus receivable at June 30, 2022	35,713	31,201
Total First 5 California funds revenues	<u>60,164</u>	<u>194,592</u>
Expenditures	<u>60,164</u>	<u>194,592</u>
Change in fund balance	-	-
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER REPORTS



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Tuolumne County Board of Supervisors
Sonora, California

We have audited, 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, the financial statements of the First 5 Tuolumne County, a special revenue fund of the County of Tuolumne (County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting as it relates to the First 5 Tuolumne County special revenue fund (internal control), as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether First 5 Tuolumne County's financial statements are free from material misstatement, we performed tests of the County's 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 entity'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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
October 20, 2022



Independent Auditor's Report on State Compliance

Tuolumne County Board of Supervisors
Sonora, California

Opinion

We have audited the County of Tuolumne's 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 County's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, the County of Tuolumne complied, in all material respects, with the compliance requirements referred to above that are applicable to the California Children and Families Program for the 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 County of Tuolumne 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 County of Tuolumne'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 contractors or grant requirements 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 the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County'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 misstatement 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 County'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 State of California's *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 County'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 County'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 County's internal controls over compliance. Accordingly, no such opinion is expressed.
- select and test transactions and records to determine the County'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 Benefits Policies	2	No*

* We did obtain the minutes to confirm that the First 5 Tuolumne County Commission has adopted salaries and benefits policies and procedures (one of the two Salaries and Benefit Policies procedures); however, we were not able to test a representative sample of salaries and benefits transactions (the other of the two Salaries and Benefits Policies procedures) because First 5 Tuolumne County does not have any salaries and benefits transactions as it does not have any employees.

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 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.



Sacramento, California
October 20, 2022