

**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, 2020



Certified  
Public  
Accountants

**FIRST 5 TUOLUMNE COUNTY  
SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2020

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## Independent Auditor's Report

Tuolumne County Board of Supervisors  
Sonora, California

### Report on the Financial Statements

We have audited the accompanying financial statements of First 5 Tuolumne County, a special revenue fund of the County of Tuolumne (County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First 5 Tuolumne County as of June 30, 2020, and the changes in financial position thereof and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *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, 2020, 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement First 5 Tuolumne County's financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on First 5 Tuolumne County'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 financial statements.

The schedule of revenues, expenditures and change in fund balance of First 5 California Funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 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 23, 2020, on our consideration of the County's internal control over financial reporting as it relates to the First 5 Tuolumne County special revenue fund 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 County'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 County's internal control over financial reporting and compliance, as it relates to the First 5 Tuolumne County special revenue fund.

*Macias Gini & O'Connell LLP*

Sacramento, California  
October 23, 2020

## **Management's Discussion and Analysis** **For the Year Ended June 30, 2020**

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, 2020.

### **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 6 of this report. Following is a summary comparison of prior year to current year balance sheet:

	2020	2019	Change	
			Dollar	Percentage
Total Assets	\$1,019,469	\$ 951,479	\$ 67,990	7.1%
Total Liabilities	230,644	222,018	8,626	3.9%
Total Fund Balance	<u>\$ 788,825</u>	<u>\$ 729,461</u>	<u>\$ 59,364</u>	8.1%

- 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 7 of this report.

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

	2020	2019	Change	
			Dollar	Percentage
Revenues:				
Intergovernmental:				
Federal:				
U.S Department of Health and Human Services via California Department of Education	\$ 16,996	\$ 15,553	\$ 1,443	9.3%
State:				
Tobacco taxes	313,707	282,085	31,622	11.2%
First 5 California	275,027	289,040	(14,013)	-4.8%
California Department of Education via Tuolumne County Superintendent of Schools	32,772	40,432	(7,660)	-18.9%
Surplus Money Investment Fund	-	772	(772)	-100.0%
Regional	-	3,617	(3,617)	-100.0%
Local	27,300	13,945	13,355	95.8%
Interest	11,497	14,422	(2,925)	-20.3%
Total revenues	<u>677,299</u>	<u>659,866</u>	<u>17,433</u>	2.6%
Expenditures:				
Administrative	49,001	44,878	4,123	9.2%
Program	559,919	668,910	(108,991)	-16.3%
Evaluation	9,015	13,194	(4,179)	-31.7%
Total expenditures	<u>617,935</u>	<u>726,982</u>	<u>(109,047)</u>	-15.0%
Change in fund balance	59,364	(67,116)	126,480	-188.4%
Fund balance, beginning	<u>729,461</u>	<u>796,577</u>	<u>(67,116)</u>	-8.4%
Fund balance, ending	<u>\$788,825</u>	<u>\$729,461</u>	<u>\$ 59,364</u>	8.1%

The revenue increases were caused by an increase in spending on the IMPACT program and an increase to the local grant with Tuolumne County Behavioral Health.

The expenditure decreases were caused by a decrease in local program spending due to COVID-19 for travel, training and staffing. These local programs include 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 (TCSS) Social Emotional Learning Foundations (SELF) programs. The unspent funds will be added to the fiscal year 2021-22 budget, as approved by the Commission in August 2020.

First 5 Tuolumne County's fund balance increased by \$59,364 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, 2020, 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 8 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 in December of 2020.

#### 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 9 through 13 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 2019-20**

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 due to the ending of the IMPACT program agreement after fiscal year 2019-20. 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, 2020

	General	Quality Counts	Small Population County Funding Augmentation	Total
<b>Assets</b>				
Cash and investments	\$ 525,457	\$ -	\$ -	\$ 525,457
Due from other programs	178,878	-	-	178,878
Due from other governments	110,058	158,798	46,278	315,134
Total assets	<u>\$ 814,393</u>	<u>\$ 158,798</u>	<u>\$ 46,278</u>	<u>\$ 1,019,469</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	\$ 25,568	\$ 26,198	\$ -	\$ 51,766
Due to other program	-	132,600	46,278	178,878
Total liabilities	25,568	158,798	46,278	230,644
Fund balance:				
Committed	<u>788,825</u>	<u>-</u>	<u>-</u>	<u>788,825</u>
Total liabilities and fund balance	<u>\$ 814,393</u>	<u>\$ 158,798</u>	<u>\$ 46,278</u>	<u>\$ 1,019,469</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, 2020

	General	Quality Counts	Small Population County Funding Augmentation	Total
<b>Revenues:</b>				
Intergovernmental:				
Federal:				
U.S. Department of Health and Human Services via California Department of Education	\$ -	\$ 16,996	\$ -	\$ 16,996
State:				
Tobacco taxes	313,707	-	-	313,707
First 5 California	-	114,129	160,898	275,027
California Department of Education via Tuolumne County Superintendent of Schools	-	32,772	-	32,772
Local:				
Census Grant	1,000	-	-	1,000
County Behavioral Health	20,000	-	-	20,000
Sonora Area Foundation	5,300	-	-	5,300
Sonora Community Hospital	1,000	-	-	1,000
Interest	11,497	-	-	11,497
Total revenues	<u>352,504</u>	<u>163,897</u>	<u>160,898</u>	<u>677,299</u>
<b>Expenditures:</b>				
Administrative:				
Professional services	44,785	-	-	44,785
Dues and memberships	4,000	-	-	4,000
Advertising	216	-	-	216
Program:				
Grants and programs	188,227	163,897	160,898	513,022
Professional services	46,897	-	-	46,897
Evaluation:				
Professional services	9,015	-	-	9,015
Total expenditures	<u>293,140</u>	<u>163,897</u>	<u>160,898</u>	<u>617,935</u>
Change in fund balance	59,364	-	-	59,364
Fund balance, July 1, 2019	<u>729,461</u>	<u>-</u>	<u>-</u>	<u>729,461</u>
Fund balance, June 30, 2020	<u>\$ 788,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 788,825</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, 2020

	Budgeted Amounts			Actual		Variance with Final Budget - Positive (Negative)
	Original	Final		Amounts		
<b>Revenues:</b>						
Intergovernmental:						
Federal:						
U.S. Department of Health and Human Services via California Department of Education	\$ 15,553	\$ 15,553		\$ 16,996		\$ 1,443
State:						
Tobacco taxes and First 5 California augmentation	475,100	475,100		474,605		(495)
Other First 5 California funds	97,556	97,556		114,129		16,573
California Department of Education via Tuolumne County Superintendent of Schools	35,521	35,521		32,772		(2,749)
Local:						
Census Grant	-	1,000		1,000		-
County Behavioral Health	10,000	20,000		20,000		-
Sonora Area Foundation	5,279	5,300		5,300		-
Sonora Community Hospital	-	1,000		1,000		-
Interest	6,975	8,400		11,497		3,097
Total revenues	645,984	659,430		677,299		17,869
<b>Expenditures:</b>						
Administrative:						
Professional services	43,018	45,718		44,785		933
Dues and memberships	4,000	4,000		4,000		-
Advertising	250	250		216		34
	47,268	49,968	8%	49,001	8%	967
Program:						
Grants and programs	537,927	548,927		513,022		35,905
Professional services	57,358	57,358		46,897		10,461
	595,285	606,285	91%	559,919	91%	46,366
Evaluation:						
Professional services	9,060	9,060	1%	9,015	1%	45
Total expenditures	651,613	665,313	100%	617,935	100%	47,378
Change in fund balance	(5,629)	(5,883)		59,364		65,247
Fund balance, July 1, 2019	737,950	729,461		729,461		-
Fund balance, June 30, 2020	\$ 732,321	\$ 723,578		\$ 788,825		\$ 65,247

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, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

First 5 Tuolumne County 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 Tuolumne County 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 Tuolumne County financial statements are included as a special revenue fund in the County's financial statements. The purpose of First 5 Tuolumne County 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 Tuolumne County programs are primarily funded by taxes levied by the State of California on tobacco products.

First 5 Tuolumne County is administered by a commission of seven members (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 Tuolumne County, any unencumbered or unexpended resources of First 5 Tuolumne County 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 Tuolumne County. 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, state, and regional.

**FIRST 5 TUOLUMNE COUNTY  
SPECIAL REVENUE FUND**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2020

**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 Tuolumne County 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 Tuolumne County entered into a five-year agreement with First 5 California to implement IMPACT in Tuolumne County from fiscal year 2015-16 through fiscal year 2019-20. 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 four-year agreement, through fiscal year 2020-21. 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 Tuolumne County 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, 2020, 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, 2020

**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 First 5 Tuolumne County Commission. Although First 5 Tuolumne County 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 First 5 Tuolumne County 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  
For the Year Ended June 30, 2020

**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 Tuolumne County, 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 Tuolumne County 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 Tuolumne County 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 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, 2020, which was prepared on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Budgetary control for the County 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  
For the Year Ended June 30, 2020

**NOTE 2 – CASH AND INVESTMENTS**

All of the First 5 Tuolumne County cash and investments at June 30, 2020 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. Interest is apportioned to First 5 Tuolumne County based on its average daily balances on deposit in the pool. The weighted average to maturity of the pool's investments is 501 days as of June 30, 2020.

First 5 Tuolumne County'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 generally accepted accounting principles.

First 5 Tuolumne County's portion of the pool is \$525,457 as of June 30, 2020.

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 comprehensive annual financial report.

**NOTE 3 – PROFESSIONAL SERVICES**

The professional services expenditures balance for the year ended June 30, 2020, is detailed as follows:

Contracts for administration, program management, and evaluation	\$ 83,499
Accounting and auditing	14,100
County counsel	3,000
Auditor-controller	<u>98</u>
Total professional services	<u>\$ 100,697</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 \$9,015 on program evaluation during the year ended June 30, 2020.

**FIRST 5 TUOLUMNE COUNTY**  
**SPECIAL REVENUE FUND**  
Notes to the Financial Statements  
For the Year Ended June 30, 2020

**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 of COVID-19 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, 2020

	IMPACT Program	Small Population County Funding Augmentation
<b>Revenues:</b>		
First 5 California funds:		
Receipts	\$ 8,143	\$ 114,620
Plus receivable at June 30, 2020	105,986	46,278
Total First 5 California funds revenues	<u>114,129</u>	<u>160,898</u>
<b>Expenditures</b>	<u>114,129</u>	<u>160,898</u>
Change in fund balance	-	-
Fund balance, July 1, 2019	<u>-</u>	<u>-</u>
Fund balance, June 30, 2020	<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, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2020.

**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.

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

Sacramento, California  
October 23, 2020



## Independent Auditor's Report on State Compliance

Tuolumne County Board of Supervisors  
Sonora, California

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 (First 5)*, issued by the State Controller's Office, applicable to the County's statutory requirements identified below for the year ended June 30, 2020.

### Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the County's management.

### Auditor's Responsibility

Our responsibility is to express an opinion on the County's compliance with the requirements referred to above based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In connection with the audit referred to above, we selected and tested 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.

### **Opinion**

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, 2020.

*Macias Gini & O'Connell LLP*

Sacramento, California  
October 23, 2020