# FIRST 5 SONOMA COUNTY COMMISSION

# FINANCIAL STATEMENTS
# WITH
# INDEPENDENT AUDITORS' REPORT

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

## TABLE OF CONTENTS


| | Page |
|---|---|
| **Roster of Commission Members** | i |
| **Independent Auditors' Report** | 1 |
| **Management's Discussion and Analysis** | 4 |
| **Basic Financial Statements:** | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 8 |
| Statement of Activities | 9 |
| Fund Financial Statements: | |
| Balance Sheet - General Fund - Governmental Fund | 10 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 11 |
| Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund - Governmental Fund | 12 |
| Reconciliation of the Change in Fund Balance of the Governmental Fund to the Statement of Activities | 13 |
| Notes to Financial Statements | 14 |
| **Required Supplementary Information:** | |
| Statement of Revenues, Expenditures, and Change in Fund Balance - Budget to Actual (GAAP) - General Fund | 22 |
| Notes to Required Supplementary Information | 23 |
| **Other Reports:** | |
| 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* | 24 |
| Independent Auditors' Report on State Compliance | 26 |
| Current Year and Prior Year Schedule of Findings and Questioned Costs | 29 |

**FIRST 5 SONOMA COUNTY COMMISSION**
**ROSTER OF COMMISSION MEMBERS**
**AS OF JUNE 30, 2024**

As of June 30, 2024, the Commission consisted of the following members:

- Donna Broadbent, Chair
  Division Director for the Family, Youth and Children Division at Sonoma County Human Services Department

- Denia Candela, Vice Chair
  Health Equity Officer for the County of Sonoma

- Nora Malonee-Brand, Treasurer
  Health Program Manager at Sonoma County Department of Health Services

- Imelda Vera, Commissioner
  Program Manager at Humanidad Therapy & Education Services

- Vanessa DeSousa, Commissioner
  Pediatrician with the Permanente Medical Group, Chief of Professional Staff Quality, and Assistant Chief of Pediatrics at the Kaiser Permanente Santa Rosa Medical Center

- Angel Flores
  Director of Women, Infants and Children Program (WIC), Sonoma County Indian Health Project

- James Gore
  Sonoma County Board of Supervisors, 4th District

- Oscar Chavez
  Assistant Director of Human Services for the Community Foundation Sonoma County

HUDSON & COMPANY INC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners
First 5 Sonoma County 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 Sonoma County Commission (the Commission), as of and for the year ended June 30, 2024, 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 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.

7473 N. INGRAM AVE., SUITE 102 ⬩ FRESNO, CA 93711
P (559) 475-8910 ⬩ F (559) 475-8901 ⬩ WWW.HHCCPAS.COM

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 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 4-7 and the budgetary comparison information on page 22 be presented to supplement the basic financial statements. Such information, 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 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.

***Other Information***

Management is responsible for the other information included in the annual report. The other information is comprised of the Roster of Commission Members but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 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.

Fresno, California
October 24, 2024

## FIRST 5 SONOMA COUNTY COMMISSION
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## JUNE 30, 2024

In November 1998, voters passed a statewide ballot initiative, Proposition 10, adding an additional excise tax on cigarettes and tobacco-related products to fund programs that promote, support, and improve early childhood development for children prenatal through five years of age. Proposition 10 was designed to address the lack of public funding and support for early childhood development in the wake of a growing body of scientific evidence indicating that the emotional, physical, and intellectual environment that a child is exposed to prior to five years of age has a profound impact on how his or her brain develops. The goal of Proposition 10 is for all young children in California to reach age five healthy and ready to succeed in school.

All revenue generated from the excise tax is collected by the Board of Equalization and placed in the California Children and Families Trust Fund Account. Twenty percent of that revenue is distributed to First 5 California (the State Commission), and the remaining 80% is allocated among the 58 county Commissions based on the number of births recorded in the relevant county in proportion to the number of births recorded in California. Each county must establish a local Commission to oversee the use of these funds in accordance with its strategic plan. The governing body of First 5 Sonoma County Commission (the Commission) is the Board of Commissioners.

The Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2024. The information presented should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

**Financial Highlights**

- On March 12, 2019, the Board of Supervisors of the County of Sonoma (the County), amended ordinance No. 5142, establishing the Commission as a legal public entity separate from the County (effective July 1, 2019). As an independent legal public entity separate and apart from the County, the Commission is subject to the provisions of the Children and Families Act of 1998.

- Previous to the separation from the County, the Commission's eligible employees were active participants in the defined benefit Plan of the Sonoma County Employees Retirement Association (SCERA). Effective with the separation of the County, the First 5 Commission new employees were no longer members with SCERA.

- Previous to the separation from the County, the Commission's eligible employees participated in the County's single employer OPEB Plan. Effective with the separation from the County, the First 5 Commission's new employees were no longer members of the OPEB Plan. The Commission now provides a 401k plan to employees.

- During the fiscal year ended June 30, 2024, the Commission's General Fund, under the direction of the Board of Commissioners, implemented the fourth year of programs outlined in its 2021-2026 Strategic Plan. Fiscal year 2023-24 was the Commission's twenty-third year of program implementation.

- During 2023-24, the Commission's total revenues were $8,468,164, an increase of $958,596 from the prior year. Total expenses were $8,981,304, an increase of $479,977 from the prior year. The increase in revenues is largely due to the recognition of ARPA funds passed through from the City of Santa Rosa and County of Sonoma. The increase in expenditures is related to the increase in ARPA funds, as such funds are expended on contract expenditures.

- At the end of the current fiscal year, the Commission's statement of net position reported an ending net position of $4,949,008, compared to last year's ending net position of $5,462,148, a decrease of $513,140. Most of the decrease is attributed to the Commission general government expenditures exceeding total revenues.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-Wide Financial Statements***. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner like a private sector business.

The *Statement of Net Position* presents information on all the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position compared to the Commission's adopted financial model may serve as a useful indicator of the ability of the Commission to continue to serve as a resource to the County community over time.

The *Statement of Activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues, unpaid expenses, and contingent liabilities).

***Fund Financial Statements***. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Change in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission's General Fund is used to account for its activities, which include Proposition 10 funding for the implementation of programs to ensure the healthy development of children, the empowerment of families, and the strengthening of communities for all County children ages 0-5. The Commission adopts an annual appropriated budget for its funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

***Notes to the Financial Statements***. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $4,949,008 at the close of the most recent fiscal year.

**Statement of Net Position**
**As of June 30:**

| | 2024 | (Restated) 2023 | Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current unrestricted assets | $ 7,466,293 | $ 8,597,660 | $ (1,131,367) |
| Current restricted assets | 33,464 | 33,464 | - |
| Total Assets | 7,499,757 | 8,631,124 | (1,131,367) |
| **LIABILITIES** | | | |
| Current and other liabilities | 2,550,749 | 3,168,976 | (618,227) |
| Total Liabilities | 2,550,749 | 3,168,976 | (618,227) |
| **NET POSITION** | | | |
| Net investment in capital assets | - | (721) | 721 |
| Restricted | 33,464 | 33,464 | - |
| Unrestricted | 4,915,544 | 5,429,405 | (513,861) |
| Total Net Position | $ 4,949,008 | $ 5,462,148 | $ (513,140) |

The Commission's net position decreased by $513,140 during the current fiscal year. The decrease in the Commission's net position is primarily attributable to general government expenditures exceeding total revenues.

At the end of the current fiscal year, the Commission is able to report a positive balance in net position for the government as a whole. The same held true for the prior fiscal year.

**Statement of Governmental Activities**
**For the Fiscal Year Ended June 30:**

| | 2024 | (Restated) 2023 | Change |
|---|---|---|---|
| Revenues | | | |
| Program revenues | | | |
| Operating grants and contributions | $ 8,239,114 | $ 7,330,993 | $ 908,121 |
| General revenues | | | |
| Interest and investment earnings (losses) | 229,050 | 178,575 | 50,475 |
| Total Revenues | 8,468,164 | 7,509,568 | 958,596 |
| Expenses | | | |
| Early childhood development | 8,981,304 | 8,501,327 | 479,977 |
| Total expenses | 8,981,304 | 8,501,327 | 479,977 |
| Change in Net Position | (513,140) | (991,759) | 478,619 |
| Net position, beginning of year | 5,462,148 | 6,453,907 | (991,759) |
| Net position, end of year | $ 4,949,008 | $ 5,462,148 | $ (513,140) |

**Financial Analysis of the Commission's Funds**

As noted earlier, fund accounting is used by the Commission to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***. The focus of the Commission's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- At the end of the current fiscal year, the Commission's General Fund reported an ending fund balance of $5,000,796, compared to the prior fiscal year ending fund balance of $5,502,681. The Commission's fund balance decrease is attributed to planned expenditures of the fund balance to support the Commission's strategic investments as well as additional costs due to the major change in organizational structure. The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by $5,000,796.

There was $177,779 non-spendable fund balance at the end of the fiscal year. Restricted fund balance of $33,464 is constrained to funding preschool scholarships. Committed fund balance of $3,918,674 is not available for spending at the Commission's discretion as these funds have already been committed to liquidate contracts and purchase orders of the prior period and satisfy other contractual agreements and obligations approved by the Commission. Assigned fund balance of $870,879 are resources allocated to the strategic plan of the Commission. Unassigned fund balance of $0 is the residual amount for the governmental fund after the amounts for the non-spendable, restricted, committed, and assigned fund balances have been identified.

**General Fund Budgetary Highlights**

There was a decrease of $1,833,735 in expenditures from the original budget to the final amended budget. The decrease was due to the anticipation of decreased costs related to community investments, specifically costs related to quality and equity in early learning.

**Long-Term Debt**

At June 30, 2024, the Commission's long-term debt consisted of compensated absences with a balance of $51,788. Refer to Note 5 - Compensated Absences.

**Economic Factors and Next Year's Budgets and Rates**

- Proposition 10 annual revenues decreased by 4% from the prior year, due to the enactment of CA Proposition 31 (a statewide ban on flavored tobacco). Proposition 31 has also impacted long-term projections for Proposition 10 revenue and is now predicted to decrease at a rate of 6% annually per year for future years.
- Proposition 56, an additional tobacco tax, was passed by CA voters in 2016 and is partially used as a "backfill" for the negative impact on Proposition 10 revenue. First 5 Sonoma received Proposition 56 funds in the amount of $733,857 in 2023-2024 and $664,268 in 2022-2023.
- ARPA funding for multiple projects from the County of Sonoma and multiple cities will continue to be received through December 2025. Total revenue of $913,705 is reflected in the 2024-2025 budget.
- Interest earnings are expected to average 3.0% in the fiscal year 2024-2025. This will be reflected in the budget and the Commission's long-term financial model.
- All of the above factors were considered in preparing the Commission's budget for the fiscal year ending June 30, 2025.

**Request for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to First 5 Sonoma County, 5340 Skylane Blvd, Santa Rosa, California 95403.

**FIRST 5 SONOMA COUNTY COMMISSION**
**STATEMENT OF NET POSITION**
**JUNE 30, 2024**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and investments | |
| Unrestricted | $ 5,123,494 |
| Restricted | 33,464 |
| Due from other governments | 2,165,020 |
| Prepaid expenses | 177,779 |
| Total Assets | 7,499,757 |
| **LIABILITIES** | |
| Accounts payable and accrued expenses | 1,036,105 |
| Accrued payroll | 43,626 |
| Accrued expenses | 2,769 |
| Deferred revenues | 1,416,461 |
| Long-term liabilities | |
| Portion due within one year: | |
| Compensated absences | 51,788 |
| Total Liabilities | 2,550,749 |
| **NET POSITION** | |
| Restricted | 33,464 |
| Unrestricted | 4,915,544 |
| Total Net Position | $ 4,949,008 |

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

**FIRST 5 SONOMA COUNTY COMMISSION**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | | Program Revenues | Net (Expense) and Revenues and Change in Net Position |
|---|---|---|---|
| Functions/Programs | Expenses | Operating Grants and Contributions | Governmental Activities |
| Primary Government | | | |
| Governmental Activities: | | | |
| Early childhood development | $ 8,981,304 | $ 8,239,114 | $ (742,190) |
| Total Primary Government | $ 8,981,304 | $ 8,239,114 | (742,190) |
| | General Revenues: | | |
| | Interest and investment earnings | | 229,050 |
| | Total General Revenues | | 229,050 |
| | Change in Net Position | | (513,140) |
| | Net Position, Beginning of Year | | 5,473,328 |
| | Prior Period Adjustment | | (11,180) |
| | Net Position, End of Year | | $ 4,949,008 |

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

**FIRST 5 SONOMA COUNTY COMMISSION**
**BALANCE SHEET - GENERAL FUND**
**GOVERNMENTAL FUND**
**JUNE 30, 2024**

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and investments | | |
| Unrestricted | $ | 5,123,494 |
| Restricted | | 33,464 |
| Due from other governments | | 2,165,020 |
| Prepaid expenses | | 177,779 |
| Total Assets | $ | 7,499,757 |
| **LIABILITIES AND FUND BALANCE** | | |
| Liabilities | | |
| Accounts payable | $ | 1,036,105 |
| Accrued payroll | | 43,626 |
| Accrued expenses | | 2,769 |
| Deferred revenues | | 1,416,461 |
| Total Liabilities | | 2,498,961 |
| Fund Balance | | |
| Nonspendable | | 177,779 |
| Restricted | | 33,464 |
| Committed | | 3,918,674 |
| Assigned | | 870,879 |
| Total Fund Balance | | 5,000,796 |
| Total Liabilities and Fund Balance | $ | 7,499,757 |

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

**FIRST 5 SONOMA COUNTY COMMISSION**
**RECONCILIATION OF THE 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 | $ | 5,000,796 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund: | | |
| Compensated absences | | (51,788) |
| Total Net Position - Governmental Activities | $ | 4,949,008 |

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

**FIRST 5 SONOMA COUNTY COMMISSION**
**STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGE IN FUND BALANCE - GENERAL FUND**
**GOVERNMENTAL FUND**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | |
|---|---|
| **REVENUES** | |
| Proposition 10 taxes | $ 1,928,688 |
| Proposition 56 taxes | 733,857 |
| Grant revenue | 5,566,988 |
| Interest and investment earnings | 229,050 |
| Other revenue | 9,581 |
| Total Revenues | 8,468,164 |
| **EXPENDITURES** | |
| Contracts | 7,413,205 |
| Salaries and employee benefits | 1,232,201 |
| Services and supplies | 222,464 |
| Lease financing principle | 729 |
| Interest expense | 10 |
| Other expenditures | 101,440 |
| Total Expenditures | 8,970,049 |
| Deficiency of Revenues over Expenditures | (501,885) |
| Net Change in Fund Balance | (501,885) |
| Fund Balance, Beginning of Year | 5,513,861 |
| Prior Period Adjustment | (11,180) |
| Fund Balance, End of Year | $ 5,000,796 |

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

**FIRST 5 SONOMA COUNTY COMMISSION**
**RECONCILIATION OF THE CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | |
|---|---|
| Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of the Governmental Fund to the Statement of Activities: | |
| Net change in Fund Balance - Governmental Fund | $ (501,885) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays and lease right-of-use assets as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense: | |
| Amount that depreciation ($0) and amortization ($8) exceeded capital outlay ($0) and lease right-of-use assets ($0) in the current period | (8) |
| Principal repayments on debt and lease liabilities are recorded as expenditures in the general fund but are recorded as a reduction in the liabilities in the Statement of Net Position | 729 |
| Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund: | |
| Change in compensated absences | (11,976) |
| Change in Net Position - Governmental Activities | $ (513,140) |

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

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

Reporting Entity: The Sonoma County Children and Families Commission was established by the Sonoma County Board of Supervisors through adoption of Ordinance No. 5142 on December 15, 1998, pursuant to Proposition 10, the California Children and Families First Act of 1998. Subsequently, the ordinance has been modified by the Board as follows:

- On June 6, 2000, Ordinance No. 5236 changed the Commission's name to the Sonoma County Children and Families Commission and increased the number of Commissioners from five (5) to seven (7).
- On October 14, 2008, Ordinance No. 5807 increased the number of Commissioners from seven (7) to nine (9), established three-year terms, and limited Commissioners' term of office to three consecutive terms.
- On March 16, 2010, Ordinance No. 5881 officially changed the name of the Commission to the First 5 Sonoma County Commission.
- On March 12, 2019, the Board of Supervisors amended ordinance No. 5142, establishing the Commission as a legal public entity separate from the County of Sonoma (the County), effective July 1, 2019.

The First 5 Sonoma County Commission (the Commission) shall be composed of nine members to be appointed by the Sonoma County Board of Supervisors consistent with Ordinance No. 6257.

The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage through five years of age. The Commission uses the brand name First 5 Sonoma County for the purpose of communicating its dedication to improving the lives of children in the first five years and its common purpose with other First 5 commissions across the state.

The Commission is funded by a tax of fifty (50) cents per pack of cigarettes and by a similar tax on other tobacco products. The Department of Health Services acts as administrative agent to the Commission.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The basic financial statements of the Commission are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's 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.

**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 Change 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. Taxes, interest, and charges for services are accrued when receipt occurs within 365 days of the end of the accounting period so as to be both measurable and available. 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 an 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.

Cash and Investments: The Commission applies the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, in accordance with accounting principles generally accepted in the United States of America, which require governmental entities, including governmental external investment pools, to report certain investments at fair value in the Balance Sheet and recognize the corresponding change in the fair value of investments in the fiscal year in which the change occurred. In accordance with GASB Statement No. 31 and GASB Statement No. 72, the Commission has stated certain investments at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer.

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

Due from Other Governments: Due from other governments represent receivables due to the Commission from the First 5 California (the State Commission) for revenues related to Proposition 10, and receivables from other governmental agencies that are both measurable and available at the end of the accounting period.

The Commission utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2024, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Right-of-Use Assets and Lease Liabilities: Pursuant to GASB Statement No. 87, *Leases*, the Commission recognizes right-of-use assets and lease liabilities. The objective of the Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. When applicable, the Commission reports a right-of-use asset and a lease liability for long-term leases in the Statement of Net Position.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the Commission recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the Commission that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period.

Compensated Absences: Commission employees are entitled to certain compensated absences based on their length of employment and position held. Vacation pay is subject to certain maximum accumulations and is payable upon termination. Because vacation and other compensated absences balances do not require the use of current financial resources, no liability is recorded within the governmental fund.

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 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 expenses during the reporting period. Actual results could differ from those estimates.

Unearned Revenue: Under the modified accrual and accrual basis of accounting, revenue may be recognized only when earned. Therefore, the governmental fund reports revenue from grantors and third parties in connection with resources that have been received, but not yet earned, as a liability.

Net Position: Net position represents the residual interest in the Commission's assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. 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.

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

Fund Balance: In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Commission is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that cannot be spent because they are either not in spendable form or assets that will never convert to cash such as prepaid expenses, inventory, or legally or contractually required to be maintained intact such as resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or principal of an endowment.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* – Amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority (the Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest-level action to remove or change the constraint.
- *Assigned* – Amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission or by an official or body to which the Board of Commissioners delegates the authority.
- *Unassigned* – The residual classification for fund balance, which includes all amounts that are not classified in nonspendable, restricted, committed, or assigned. Unassigned amounts are available for any purpose.

The Commission establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the Commission through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

When both restricted, committed or assigned, and unrestricted resources are available for use, it is the Commission's policy to use restricted, committed or assigned resources first, then unrestricted resources as they are needed.

Contract Expenditures: Contract expenditures consist of expenditures incurred by the Commission to meet the following program result areas:

- Improved Family Functioning
- Improved Child Development
- Improved Health
- Improved Systems of Care

Governmental Accounting Standards Update: During the year ended 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.

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

Governmental Accounting Standards Update (continued):

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 the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through October 24, 2024, which is the date the financial statements were available to be issued.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments are classified in the governmental activities and governmental fund financial statements as follows:

| | June 30, 2024 |
|---|---|
| Cash and investments in the County Treasury | $ 3,906,924 |
| Cash in banks | 1,216,570 |
| Restricted cash held by Community Foundation Sonoma County | 33,464 |
| Total Cash and Investments | $ 5,156,958 |

The Commission's carrying value of deposits with banks was $1,216,570 at June 30, 2024. The corresponding bank balance was $1,466,111. The bank balance up to $250,000 is covered by the Federal Deposit Insurance Corporation (FDIC). Any remaining uninsured balance is covered by a written collateral agreement with the financial institution whereby any uninsured deposits will be collateralized with eligible securities having a value of at least 110% of the amount of the deposit.

The Commission's cash is invested in the County Treasury Pool, which acts as a disbursing agent for the Commission. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool. Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures, including interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be found in the County's Annual Comprehensive Financial Report (ACFR). The County's financial statements may be obtained by contacting the County of Sonoma's Auditor-Controller-Treasurer-Tax Collector's office at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

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

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 has the following recurring fair value measurements as of June 30, 2024:

- The County Treasury Pool is valued using significant other observable inputs (Level 2).

In the current year, interest earnings on investments held by the Commission within the County pool amounted to $165,726. Unrealized gains, based on changes in fair value of investments held in the County Pool, amounted to $63,324, for a total net investment gain of $229,050.

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

The due from other governments balance represents amounts due to the Commission from the State Commission for Proposition 10 related revenues and revenues from other governmental agencies. The amounts due to the Commission at June 30, 2024 were as follows:

| | |
|---|---|
| Due from Other Governments | |
| CA Proposition 10 | $ 291,363 |
| CA SMIF | 18,152 |
| CA CECET | 21,128 |
| IMPACT | 220,930 |
| Home Visiting | 643,561 |
| Shared Services | 17,243 |
| County ARPA | 420,113 |
| City of Santa Rosa | 387,705 |
| MHSA | 50,329 |
| Block grant | 56,827 |
| QRIS TTA HUB | 16,715 |
| Other | 20,954 |
| Total Due from Other Governments | $ 2,165,020 |

**NOTE 4 – RIGHT-OF-USE ASSETS**

The Commission has recorded two right-of-use lease assets. The related lease liabilities are discussed in Note 9. The right-of-use lease assets are amortized on the straight-line basis over the terms of the related lease.

**NOTE 4 – RIGHT-OF-USE ASSETS (continued)**

Right-of-use lease assets activity related to governmental activities for the year ended June 30, 2024 is as follows:

| | Beginning Balance | Additions | Deletions/ Adjustments | Ending Balance |
|---|---|---|---|---|
| Intangible Assets | | | | |
| Right-of-use building | $ 122,796 | $ - | $ (122,796) | $ - |
| Right-of-use copier | 5,864 | - | (5,864) | - |
| Total intangible assets | 128,660 | - | (128,660) | - |
| Less: Accumulated Amortization | (128,652) | (8) | 128,660 | - |
| Total | $ 8 | $ (8) | $ - | $ - |

Amortization expense on the right-of-use assets for the year ending June 30, 2024 was $8.

**NOTE 5 – COMPENSATED ABSENCES**

Compensated absences activity for the year ended June 30, 2024 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 39,812 | $ 38,744 | $ (26,768) | $ 51,788 | $ 51,788 |
| Total | $ 39,812 | $ 38,744 | $ (26,768) | $ 51,788 | $ 51,788 |

**NOTE 6 – FUND BALANCES**

Fund balance is presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (refer to Note 1 for a description of these categories). A detailed schedule of fund balance at June 30, 2024 was as follows:

| Description | Amount |
|---|---|
| Nonspendable | |
| Prepaid expenses | $ 177,779 |
| Restricted | |
| Preschool scholarships | 33,464 |
| Committed | |
| Unspent amounts on current contracts through June 30, 2025 | 3,918,674 |
| Assigned | 870,879 |
| Total Fund Balance | $ 5,000,796 |

## NOTE 7 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, employee's health and natural disasters. Insurance for the Commission is secured through InterWest Insurance Services, LLC as follows: $1,000,000 per occurrence for workers' compensation claims, $1,000,000 per occurrence for automobile and general liability claims and $2,000,000 aggregate limit for professional liability.

## NOTE 8 – PROGRAM EVALUATION

The Commission spent $153,312 on program evaluation during the fiscal year ended June 30, 2024.

## NOTE 9 – LEASE LIABILITIES

The Commission leased its office facilities under a long-term operating lease agreement with the Sonoma County Office of Education. The original lease agreement commenced on July 1, 2019 and had a term of four years ending June 30, 2023. The initial monthly obligation was $2,516 for the first year, subject to an annual rent increase adjusted upwards by the prior year cost of living increase (COLA), effective July 1, 2020 and July 1, 2022, as set forth by the School Services of California Dartboard. The lease agreement was modified on June 29, 2021, to set the monthly payment at $2,580. After the lease ended on June 30, 2023, the Commission continued leasing on a month-to-month basis until a one-year contract was agreed upon beginning January 1, 2024 with monthly payments of $2,749. Operating lease payments on the lease for the year ending June 30, 2024 were $31,973. Future minimum lease payments are $16,494 for the year ended June 30, 2025.

On September 28, 2021, the District entered into an agreement to lease a copier machine. The term of the lease is for two years, a minimum monthly payment of $245, and additional charges for copies or prints in excess of the monthly base. Principal payments and interest expense on the lease for the year ending June 30, 2024 were $729 and $0, respectively. The lease was not renewed nor was a new lease executed upon lease termination.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

Retirement Plan: The Commission adopted effective January 1, 2020, a defined contribution 401(k) retirement plan covering substantially all its employees. The Commission contributes a matching contribution of no less than 3% of the employee's regular annual compensation. The Commission may also elect to make matching contributions, profit sharing contributions, or qualified non-elective contributions at its sole discretion. Employees are fully vested in their elective deferral amounts and the Commission's safe harbor and qualified non-elective contributions. Employees are fully vested in matching and profit-sharing contributions after six years of service. The 401(k) pension plan expense for the year ended June 30, 2024, was $49,507.

## NOTE 11 – PRIOR PERIOD ADJUSTMENT

The Commission recorded a prior period adjustment in the amount of $33,464 to account for a restricted cash account at Community Foundation Sonoma County that was not yet recorded as of June 30, 2023. The effect of the prior period adjustment was an increase to beginning restricted cash and investments of $33,464 and an increase to the beginning restricted net position and restricted fund balance of $33,464. The Commission also recorded an additional prior period adjustment in the net amount of $(44,644) to account for three due from other governments balances that were not recorded correctly as of June 30, 2023. The effect of the prior period adjustment was a decrease to beginning due from other governments of $44,644 and a decrease to the beginning unrestricted net position balance and assigned fund balance of $44,644.

**FIRST 5 SONOMA COUNTY COMMISSION**

---

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST 5 SONOMA COUNTY COMMISSION**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET TO ACTUAL (GAAP)**
**GENERAL FUND**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | Budgeted Amounts | | | Variance |
|---|---|---|---|---|
| | Original | Final | Actual | with Final Budget |
| **Revenues** | | | | |
| Intergovernmental | $ 9,776,120 | $ 8,683,487 | $ 8,229,533 | $ (453,954) |
| Investment earnings | 80,000 | 130,000 | 229,050 | 99,050 |
| Other revenue | - | - | 9,581 | 9,581 |
| **Total Revenues** | 9,856,120 | 8,813,487 | 8,468,164 | (345,323) |
| **Expenditures** | | | | |
| Salaries and benefits | 1,208,372 | 1,253,062 | 1,232,201 | 20,861 |
| Services and supplies | 203,375 | 236,595 | 223,193 | 13,402 |
| Contracts | 10,468,813 | 8,558,168 | 7,413,205 | 1,144,963 |
| Interest expense | - | - | 10 | (10) |
| Other expenditures | - | - | 101,440 | (101,440) |
| **Total Expenditures** | 11,880,560 | 10,047,825 | 8,970,049 | 1,077,776 |
| Deficiency of Revenues over Expenditures | $ (2,024,440) | $ (1,234,338) | $ (501,885) | $ 732,453 |

## FIRST 5 SONOMA COUNTY COMMISSION
## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
## FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

The First 5 Sonoma County Commission (the Commission) adopts an annual budget which covers the governmental fund. All appropriations lapse at fiscal year-end and then are re-budgeted for in the following fiscal year. The budget is prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

A mid-year budget review is performed, and the budget is amended by passage of a resolution. Additional appropriations not included in the amended budget resolution must be approved by the Board of Commissioners.

#### B. Appropriations over Expenditures

The following expenditure categories exceeded the final budget amounts during the year ended June 30, 2024:

| Expenditure Category | Amount |
|---|---|
| Interest expense | $ 10 |
| Other expenditures | 101,440 |

FIRST 5 SONOMA COUNTY COMMISSION

# OTHER REPORTS

**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 Sonoma County 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 Sonoma County Commission (the Commission), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 24, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 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.

HUDSON & COMPANY, INC.

Hudson + Company, Inc.

Fresno, California
October 24, 2024

HUDSON & COMPANY INC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

To the Board of Commissioners
First 5 Sonoma County Commission

**Report on Compliance**

***Opinion***

We have audited the First 5 Sonoma 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.

7473 N. INGRAM AVE., SUITE 102 ♦ FRESNO, CA 93711
P (559) 475-8910 ♦ F (559) 475-8901 ♦ WWW.HHCCPAS.COM

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individiually 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 reqauirements of the California Children and Families Program as a whole.

In performing an audit 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*, 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:

| Description | Audit Guide Procedures | Procedures Performed |
|---|---|---|
| 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 identify during the audit.

**Report on 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.

Hudson & Company, Inc.

Fresno, California
October 24, 2024

**FIRST 5 SONOMA COUNTY COMMISSION**
**CURRENT YEAR AND PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**JUNE 30, 2024**

## Current Year Findings

None.

## Prior Year Findings

None.