

FIRST 5 SONOMA COUNTY COMMISSION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

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

TABLE OF CONTENTS

	<u>Page</u>
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	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - General Fund - Governmental Fund	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund - Governmental Fund	13
Reconciliation of the Change in Fund Balance of the Governmental Fund to the Statement of Activities.....	14
Notes to Basic Financial Statements	15
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget to Actual (GAAP) - General Fund.....	25
Notes to Required Supplementary Information.....	26
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 <i>Government Auditing Standards</i>	27
Independent Auditors' Report on State Compliance	29
Current Year and Prior Year Schedule of Findings	31

**FIRST 5 SONOMA COUNTY COMMISSION
ROSTER OF COMMISSION MEMBERS
AS OF JUNE 30, 2022**

As of June 30, 2022, the Commission consisted of the following members:

- Nora Malonee-Brand, Chair
Health Program Manager at Sonoma County Department of Health Services
- Jose Morales, MD, Vice Chair
Representative of Healthcare System
- Karissa Kruse, Treasurer
Representative of Private Sector
President of the Sonoma County Winegrowers
- Supervisor Lynda Hopkins, Ex Officio
Board of Supervisors Health & Social Services Liaison
- Raissa de la Rosa
Economic Development Division Director for the City of Santa Rosa in Sonoma County
- Oscar Chavez
Assistant Director of Human Services for the County of Sonoma
- Denia Candela
Parent Representative
- Jennielynn Holmes
Representative of local organizations serving families and children
Director of Shelter and Housing at Catholic Charities
- Anna-Maria Guzman, EdD
Assistant Superintendent of Teaching and Learning County of Sonoma School District



INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
First 5 Sonoma County Commission

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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 Opinion

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.

Change in Accounting Principle

As described in Note 11 to the financial statements, in fiscal year 2022, the Commission adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and the budgetary comparison information on page 25 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 6, 2022, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
October 6, 2022

**FIRST 5 SONOMA COUNTY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022. 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. As of the date of this report, the Commission does not offer any other post-employment benefits for its current employees.
- During the fiscal year ended June 30, 2022, the Commission's General Fund, under the direction of the Board of Commissioners, implemented the second year of programs outlined in its 2021-2025 Strategic Plan. Fiscal year 2021-22 was the Commission's twenty-first year of program implementation.
- During 2021-22, the Commission's total revenues were \$5,255,163, a decrease of \$694,376 from the prior year. Total expenses were \$6,242,771, a decrease of \$978,906 from the prior year. Although there was a large increase in federal pass-throughs, this increase in revenue was offset with a decrease in state funding such as foundation grants and HUB; a decrease from other governmental agencies like Family Resiliency and Community Engagement; as well as a decrease in investment income. The decrease in expenditures is attributable to a decrease in contract expenditures and services & supplies.
- At the end of the current fiscal year, the Commission's statement of net position reported an ending net position of \$6,420,443, compared to last year's ending net position of \$7,408,051, a decrease of \$987,608. Most of the decrease is attributed to the Commission general government expenditures exceeding total revenues.

Overview of the Financial Statements

This discussion and analysis is 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 \$6,420,443 at the close of the most recent fiscal year.

Statement of Net Position As of June 30:

	2022	(Restated) 2021	Change
ASSETS			
Current assets	\$ 7,926,392	\$ 8,839,163	\$ (912,771)
Total Assets	7,926,392	8,839,163	(912,771)
LIABILITIES			
Current and other liabilities	1,505,949	1,431,112	74,837
Total Liabilities	1,505,949	1,431,112	74,837
NET POSITION			
Restricted	-	-	-
Unrestricted	6,420,443	7,408,051	(987,608)
Total Net Position	\$ 6,420,443	\$ 7,408,051	\$ (987,608)

The Commission's net position decreased by \$987,608 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 Activities
For the Fiscal Year Ended June 30:

	2022	(Restated) 2021	Change
Revenues			
Program revenues			
Operating grants and contributions	\$ 5,393,967	\$ 5,875,196	\$ (481,229)
General revenues			
Interest and investment earnings (losses)	(138,804)	74,343	(213,147)
Total Revenues	5,255,163	5,949,539	(694,376)
Expenses			
Early childhood development	6,242,771	7,221,677	(978,906)
Total expenses	6,242,771	7,221,677	(978,906)
Change in Net Position	(987,608)	(1,272,138)	284,530
Net position, beginning of year	7,408,051	8,680,189	(1,272,138)
Net position, end of year	\$ 6,420,443	\$ 7,408,051	\$ (987,608)

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 \$6,447,495, compared to the prior fiscal year ending fund balance of \$7,304,153. 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 \$6,447,495.

There was \$23,641 non-spendable fund balance at the end of the fiscal year. Committed fund balance of \$6,300,858 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 \$122,996 are resources allocated to the strategic plan of the Commission.

General Fund Budgetary Highlights

There was an increase of \$682,279 in expenditures from the original budget to the final amended budget. The increase was due to an increase in new funded grants which then increased the cost of services and supplies related to community investments.

Long-Term Debt

At June 30, 2022, the Commission's long-term debt consisted of compensated absences with a balance of \$26,220 and lease liabilities with a balance of \$34,464. Refer to Note 5 - Compensated Absences and Note 9 – Lease Liabilities for details.

Economic Factors and Next Year's Budgets and Rates

- Proposition 10 annual revenues decreased by 9% from the prior year. Proposition 56 was passed by voters as an additional tobacco tax to be used towards early childhood development programs as a supplement to Proposition 10. We received Proposition 56 funds in the amount of \$758,272 in 2021-2022 and \$748,188 in 2020-2021. The long-term projection for Proposition 10 funds is for a 2% to 3% decrease in tax revenue (or approximately \$80,000) per year for future years.
- Interest earnings are expected to average 1.0% in fiscal year 2022-23. This will be reflected in the Commission's financial model.
- All of the above factors were considered in preparing the Commission's budget for the fiscal year ending June 30, 2023.

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 Skyline Blvd, Santa Rosa, California 95403.

**FIRST 5 SONOMA COUNTY COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and investments	\$ 6,969,824
Due from other governments	899,295
Prepaid expenses	23,641
Right-of-use asset, net of accumulated amortization	33,632
Total Assets	7,926,392
LIABILITIES	
Accounts payable and accrued expenses	1,392,189
Accrued payroll	48,275
Accrued expenses	4,801
Long-term liabilities	
Portion due within one year:	
Compensated absences	26,220
Lease liability	33,735
Portion due in more than one year:	
Lease liability	729
Total Liabilities	1,505,949
NET POSITION	
Net investment in capital assets	(832)
Restricted	-
Unrestricted	6,421,275
Total Net Position	\$ 6,420,443

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, 2022**

Functions/Programs	Expenses	Program Revenues	Net (Expense) and Revenues and Change in Net Position
		Operating Grants and Contributions	Governmental Activities
Primary Government			
Governmental Activities:			
Early childhood development	\$ 6,242,771	\$ 5,393,967	\$ (848,804)
Total Primary Government	<u>\$ 6,242,771</u>	<u>\$ 5,393,967</u>	<u>(848,804)</u>
General Revenues:			
Interest and investment earnings (loss)			<u>(138,804)</u>
Total General Revenues			<u>(138,804)</u>
Change in Net Position			(987,608)
Net Position, Beginning of Year			7,278,485
Period Adjustment			<u>129,566</u>
Net Position, End of Year			<u>\$ 6,420,443</u>

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

**FIRST 5 SONOMA COUNTY COMMISSION
BALANCE SHEET - GENERAL FUND
GOVERNMENTAL FUND
JUNE 30, 2022**

ASSETS

Cash and investments	\$ 6,969,824
Due from other governments	899,295
Prepaid expenses	<u>23,641</u>
Total Assets	<u><u>\$ 7,892,760</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 1,392,189
Accrued payroll	48,275
Accrued expenses	<u>4,801</u>
Total Liabilities	<u>1,445,265</u>
Fund Balance	
Nonspendable	23,641
Committed	6,300,858
Assigned	<u>122,996</u>
Total Fund Balance	<u>6,447,495</u>
Total Liabilities and Fund Balance	<u><u>\$ 7,892,760</u></u>

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, 2022**

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

Total fund balance	\$ 6,447,495
--------------------	--------------

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental fund:

Right-of-use asset, net of accumulated amortization	33,632
---	--------

Long term liabilities are not due and payable in the current period and,
therefore, are not reported in the governmental fund:

Lease liability	(34,464)
Compensated absences	(26,220)

Total Net Position - Governmental Activities	<u><u>\$ 6,420,443</u></u>
--	----------------------------

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, 2022**

REVENUES

Proposition 10 taxes	\$ 2,262,962
Proposition 56 taxes	758,272
Grant revenue	2,322,433
Interest and investment earnings (loss)	(138,804)
Other revenue	<u>50,300</u>

Total Revenues	<u>5,255,163</u>
----------------	------------------

EXPENDITURES

Contracts	4,914,385
Salaries and employee benefits	1,113,795
Services and supplies	138,890
Lease financing principle	32,918
Interest expense	138
Lease right-of-use asset	5,864
Other expenditures	<u>41,387</u>

Total Expenditures	<u>6,247,377</u>
--------------------	------------------

Deficiency of Revenues over Expenditures	<u>(992,214)</u>
--	------------------

Other Financing Sources (Uses)

Other financing source - lease financing	<u>5,864</u>
--	--------------

Total other financing sources (uses)	<u>5,864</u>
--------------------------------------	--------------

Net Change in Fund Balance	(986,350)
----------------------------	-----------

Fund Balance, Beginning of Year	7,304,153
---------------------------------	-----------

Prior Period Adjustment	<u>129,692</u>
-------------------------	----------------

Fund Balance, End of Year	<u><u>\$ 6,447,495</u></u>
---------------------------	----------------------------

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, 2022**

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	\$	(986,350)
--	----	-----------

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 (\$33,624) exceeded capital outlay (\$0) and lease right-of-use assets (\$5,864) in the current period		(27,760)
--	--	----------

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 Activities

32,918

Long-term lease agreements are recorded as other financing sources at
the present value of the minimum lease payments upon inception of the
lease in the governmental funds. However, in the Statement of
Activities, these lease agreements are not recorded as revenues upon
inception.

(5,864)

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		(552)
--------------------------------	--	-------

Change in Net Position - Governmental Activities	\$	<u>(987,608)</u>
--	----	------------------

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

**FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO 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.

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Fund Financial Statements-

The Commission's governmental fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and 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 the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

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.

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

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, 2022, 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. 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.

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

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 include 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

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ended June 30, 2022, the Commission implemented the following standards:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

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

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

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.

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 6, 2022, which is the date the financial statements were available to be issued.

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS

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

	June 30, 2022
Cash and investments in the County Treasury	\$ 4,686,692
Cash in banks	<u>2,283,132</u>
Total Cash and Investments	<u>\$ 6,969,824</u>

The Commission's carrying value of deposits with banks was \$2,283,132 at June 30, 2022. The corresponding bank balance was \$2,239,257. 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.

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, 2022:

- 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 \$41,810. Unrealized losses, based on changes in fair value of investments held in the County Pool, amounted to \$(180,614), for a total net investment loss of \$(138,804).

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, 2022 were as follows:

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 – DUE FROM OTHER GOVERNMENTS (continued)

Due from Other Governments	
CA Proposition 10	\$ 196,338
First 5 CA DLL	118,275
First 5 CA IMPACT	130,624
First 5 CA HUB	12,647
CA MHSA	95,062
CA CSAC	3,723
Home Visiting	157,872
Sonoma County Title VI-E	37,337
Federal FEMA Disaster Funding	25,593
CFRA	48,361
Block grant	48,810
Other	<u>24,653</u>
Total Due from Other Governments	<u><u>\$ 899,295</u></u>

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. Right-of-use lease assets activity related to governmental activities for the year ended June 30, 2022 is as follows:

	(Restated) Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Intangible Assets				
Right-of-use building	\$ 122,796	\$ -	\$ -	\$ 122,796
Right-of-use copier	<u>-</u>	<u>5,864</u>	<u>-</u>	<u>5,864</u>
Total intangible assets	<u>122,796</u>	<u>5,864</u>	<u>-</u>	<u>128,660</u>
Less: Accumulated Amortization	<u>(61,404)</u>	<u>(33,624)</u>	<u>-</u>	<u>(95,028)</u>
Total	<u><u>\$ 61,392</u></u>	<u><u>\$ (27,760)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,632</u></u>

Amortization expense on the right-of-use assets for the year ending June 30, 2022 was \$33,624.

NOTE 5 – COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 25,668	\$ 40,659	\$ (40,107)	\$ 26,220	\$ 26,220
Total	<u><u>\$ 25,668</u></u>	<u><u>\$ 40,659</u></u>	<u><u>\$ (40,107)</u></u>	<u><u>\$ 26,220</u></u>	<u><u>\$ 26,220</u></u>

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

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, 2022 was as follows:

Description	Amount
Nonspendable	
Prepaid expenses	\$ 23,641
Committed	
Unspent amounts on current contracts through June 30, 2023	6,300,858
Assigned	<u>122,996</u>
 Total Fund Balance	 <u><u>\$ 6,447,495</u></u>

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 \$68,797 on program evaluation during the fiscal year ended June 30, 2022.

NOTE 9 – LEASE LIABILITIES

The Commission leases 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. Principal payments and interest expense on the lease for the year ending June 30, 2022 were \$30,721 and \$95, respectively.

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, 2022 were \$2,197 and \$8, respectively.

FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 – LEASE LIABILITIES (continued)

Lease liabilities were recognized as part of the implementation of GASB 87, *Leases*. Future minimum lease and interest payments for the lease liabilities are as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 33,735	\$ 36	\$ 33,771
2024	729	-	729
	<u>\$ 34,464</u>	<u>\$ 36</u>	<u>\$ 34,500</u>

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 the matching and profit sharing contributions after six years of service. The 401(k) pension plan expense for the year ended June 30, 2022, was \$29,091.

Coronavirus Pandemic: Management has determined the events regarding the novel coronavirus require disclosure in accordance with accounting standards. On March 4, 2020 Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to the novel coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the State, including the Commission's service area. The ultimate impact of COVID-19 on the operations and finances of the Commission remains unknown.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 87, *Leases*, establishes specific criteria used to account for contracts that meet the definition of a lease. Implementation of GASB Statement No. 87 requires lessees to recognize a lease liability and an intangible right-to-use asset, and lessor to recognize a lease receivable and a deferred inflow of resources. The Statement is to enhance the relevance and consistency of information about governments' leasing activities.

As of June 30, 2022, the Commission had two leases that meet the criteria of GASB Statement No. 87 and the Commission has implemented the Statement accordingly. The Statement is applied retroactively and the financial statements are restated for all prior periods presented. The Commission recognized a right-of-use asset and lease liability.

**FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE (continued)

Restatement of the Commission’s right-of-use asset and lease liability are as follows:

	Unadjusted Beginning Balance as of July 1, 2021	Adjustment to Remove Existing Capital Lease/Installment Purchase	Adjustment due to GASB 87	Adjusted Beginning Balance as of July 1, 2021
Intangible Assets				
Right-of-use building, net	\$ -	\$ -	\$ 61,392	\$ 61,392
Total Right-of-Use Asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,392</u>	<u>\$ 61,392</u>

	Unadjusted Beginning Balance as of July 1, 2021	Adjustment due to GASB 87	Adjusted Beginning Balance as of July 1, 2021
Lease liability	\$ -	\$ 61,518	\$ 61,518
Total lease liability	<u>\$ -</u>	<u>\$ 61,518</u>	<u>\$ 61,518</u>

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

The Commission recorded a prior period adjustment in the amount of \$129,692 to account for revenues earned prior to the beginning of the fiscal year ended June 30, 2022, but recorded as revenues during the year ended June 30, 2022. The effect of the prior period adjustment was a decrease to current year revenues and an increase to beginning due from other governments, net position and fund balance of \$129,692.

A prior period adjustment of \$(126) was recorded to decrease beginning net position as a result of implementation of GASB Statement No. 87, *Leases*. See Footnote 11 for further details.

FIRST 5 SONOMA COUNTY COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 SONOMA COUNTY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET TO ACTUAL (GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 4,726,077	\$ 4,726,077	\$ 5,343,667	\$ 617,590
Investment earnings (loss)	80,000	40,000	(138,804)	(178,804)
Other revenue	356,764	675,091	50,300	(624,791)
Total Revenues	<u>5,162,841</u>	<u>5,441,168</u>	<u>5,255,163</u>	<u>(186,005)</u>
Expenditures				
Salaries and benefits	1,113,405	1,113,405	1,113,795	(390)
Services and supplies	170,871	170,871	171,808	(937)
Contracts	4,830,000	5,512,279	4,914,385	597,894
Interest expense	-	-	138	(138)
Lease right-of-use asset	-	-	5,864	(5,864)
Other expenditures	-	-	41,387	(41,387)
Total Expenditures	<u>6,114,276</u>	<u>6,796,555</u>	<u>6,247,377</u>	<u>549,178</u>
Deficiency of Revenues over Expenditures	<u>\$ (951,435)</u>	<u>\$ (1,355,387)</u>	<u>\$ (992,214)</u>	<u>\$ 363,173</u>

**FIRST 5 SONOMA COUNTY COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022:

<u>Expenditure Category</u>	<u>Amount</u>
Salaries and benefits	\$ 390
Services and supplies	937
Interest expense	138
Lease right-of-use asset	5,864
Other expenditures	41,387

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, 2022, 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 6, 2022.

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 HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
October 6, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners
First 5 Sonoma County Commission

Compliance

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, 2022.

Management's Responsibility

Management is responsible for compliance with the requirements of the laws and regulations applicable to the California Children and Families Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Commission'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*, 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* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission'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 on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

Opinion

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, 2022.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 6, 2022

**FIRST 5 SONOMA COUNTY COMMISSION
CURRENT YEAR AND PRIOR YEAR SCHEDULE OF FINDINGS
JUNE 30, 2022**

Current Year Finding

None.

Prior Year Finding

None.