

FIRST 5 MENDOCINO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022

**FIRST 5 MENDOCINO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

TABLE OF CONTENTS

	<u>Page</u>
Commission Membership	i
 <u>Financial Section</u>	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balance	12
Notes to Financial Statements	13-23
 <u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual	24
Notes to the Required Supplementary Information	25
 <u>Other Supplementary Information</u>	
Schedule of Expenditures by Fund Source and Net Position of California Children and Families Commission Funds for the First 5 Programs and Activities	26
Detail Schedule of Expenditures	27
Schedule of the Status of Prior Audit Findings	28
 <u>Other Report</u>	
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> Independent Auditor’s Report	29-30
Independent Auditor’s Report on State Compliance	31-34
Letter to Management.....	35

FIRST 5 MENDOCINO

Commission Membership
June 30, 2022

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>	<u>Current Term Expires</u>
Sandra Applegate	Chairperson, General Representative	09/2017	04/2023
Ben Anderson	Vice Chair, General Representative	03/2015	01/2024
Paul Tichinin	General Representative	11/2002	01/2023
Lucresha Renteria	General Representative Director of Social Services	10/2004	01/2024
Bekkie Emery	Mendocino County Representative	06/2021	06/2022
John Haschak	Board of Supervisors Mendocino County Representative	01/2019	01/2023
Erica Baumker	General Representative	02/2020	01/2023
Jenine Miller, Psy.D.	Director of Behavioral Health Mendocino County Representative	10/2016	01/2023

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
FIRST 5 Mendocino
Ukiah, California

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the FIRST 5 Mendocino (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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

Responsibilities of Management for the Financial Statements

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Other Supplementary Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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 the 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



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
December 19, 2022



Management's Discussion and Analysis

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

The Mendocino County (County) Board of Supervisors created FIRST 5 Mendocino (The Commission) in 1999 under the provisions of the Act. The Commission consists of nine commissioners appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County, and is not considered a component unit of the County.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2022.

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 comprise three components: (1) government-wide financial statements, (2) general 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 similar to a private sector business.

The *statement of net position* presents summary information on all of the Commission's assets, liabilities, and fund balance with the difference between the two reported as *Net Position*.

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. earned but unused vacation leave).

The Government-wide Financial Statements can be found on pages 9-10 of this report.

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. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, general 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.

The Commission adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

The Fund Financial Statements can be found on pages 11-12 of this report.

Notes to Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and general fund financial statements. The notes to the financial statements can be found on pages 13-21 of this report.

Government-wide Financial Analysis

The net position may serve over time as a useful indicator of a government's financial condition. In the case of the Commission, assets exceed liabilities by \$959,573 at the close of the most recent fiscal year. This represents resources received from the California State Commission from Proposition 10 taxes and other sources that have not been expended. Cash and investments are maintained bank accounts insured by the FDIC and in the County's cash and investment pool where interest earned on the Commissions balance is apportioned to the Commission. The net position includes significant assets such as the Commission's cash balances of \$768,806 and receivables of \$332,868. Accounts Receivable of \$168,462 represents tobacco taxes that were remitted by the State but had not been received by the Commission and the First 5 California grants receivable as of June 30, 2022. Grants and contracts totaled \$164,406 for contracts and grants earned but not received at June 30, 2022. The Commission reported Accounts Payable of \$143,362 representing payments due on grant service contracts and other services provided that had not been expended at year-end.

The Commission's net position increased overall by \$20,528 during the 2021-2022 fiscal year.

Governmental Activities

The Commission does not have business type activities and so the analysis presented above for the government fund financial statements represents an analysis of the Commission’s governmental activities.

Financial Analysis of the Commission’s Governmental Fund

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

For the year-ended June 30, 2022, as shown on page 11 and 12 the Commission reported an ending fund balance of \$861,039, an increase of \$127,211 during the 2021-2022 fiscal year. This increase represents the amount of revenues over expenditures for the year ended June 30, 2022. The surplus is due to the timing of receipts of receivables, as receivables received more than 90 days after year end are not reported in the fund financial statements.

The Commission has a nonspendable fund balance of \$540 and committed fund balance of \$860,499 for projects and contracts at June 30, 2022.

FIRST 5 MENDOCINO

Balance Sheet Comparison
(in thousands)

	FY 2021-2022	FY 2020-2021	Difference
Total Assets	\$ 1,047	\$ 820	\$ 227
Total Liabilities	186	86	100
Fund Balance	\$ 861	\$ 734	\$ 127

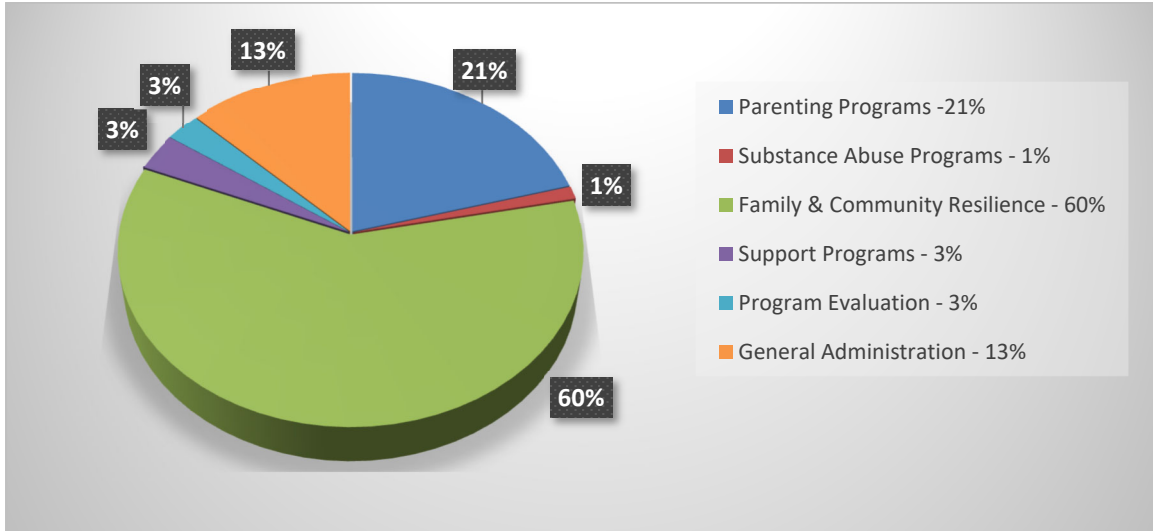
Revenue and Expense Comparison
(in thousands)

	FY 2021-2022	FY 2020-2021	Difference
Total Revenues	\$ 1,491	\$ 1,462	\$ 29
Total Expenditures	1,364	1,410	(46)
Net Change in Fund Balance	\$ 127	\$ 52	\$ 75

Total revenue (see above) consisting of Proposition 10 funds, grant income, interest income, and State Commission matching revenue increased from \$1,462 thousand to \$1,491 thousand (2%) for the year ended June 30, 2022.

Total expenditures decreased to \$1,364 thousand, a decrease of \$46 thousand from the prior fiscal year. This decrease was due to the decrease in grants spent and other lower costs in fiscal year 2021-2022.

Percentages of expenditures per program area are represented as follows.



Fund Budgetary Highlight

Total revenues were under the final budget by 11.5% or \$193 thousand. Expenditures were under the final budget by 18.8% or \$315 thousand. The expenditures are still within the three year plan. The budget to actual comparison is on page 22 of this report.

Capital Assets and Debt Administration

Capital Assets: As of June 30, 2022, the Commission had total capital assets of \$37,346, accumulated depreciation of \$23,307 leaving net Capital Assets of \$14,039. Capital assets are capitalized at cost when the cost exceeds its capital asset threshold of \$5,000. More detailed information about the Commission’s capital assets is presented in Note 3 of the basic financial statements on page 19 of this report.

Debt Administration: The commission’s long-term debt consists of compensated absences payable totaling \$13,872 and a lease liability of \$2,284.

Economic Factors and Next Year’s Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children ages 0-5 so that their young brains and bodies will develop appropriately. The Commission’s emphasis is on improved parenting and reduced substance abuse among families with young children.

In 2022-2023, the Commission will:

- Award grants pursuant to the Strategic Plan 2021-2026.

- Dedicate significant funds to the Family Resource Centers and the Network as efficient methods to serve and support families throughout Mendocino County.
- Dedicate both contract funds and staff resources to develop and implement an updated community outreach and information program to increase access to services.
- Continue our contract with a financial services expert to increase our internal controls and improve our fiscal reporting and accountability through implementation of the GFOA guidelines.
- 0.6% interest on the local Children and Families Trust Fund is Projected

Requests for Information

This financial report is designed to provide a general overview of FIRST 5 Mendocino finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, FIRST 5 Mendocino, 166 East Gobbi Street, Ukiah, CA 95482.

**FIRST 5 MENDOCINO
STATEMENT OF NET POSITION
JUNE 30, 2022**

<u>ASSETS</u>	<u>Total</u>
Cash in County Treasury	\$ 268,186
Cash - Outside Bank Account	500,620
Accounts Receivable - State of California	168,462
Grants and Contracts Receivable	164,406
Note Receivables - Forgivable Loans	4,000
Note Receivable - Related Party	41,000
Deposits and Prepaid Expenses	540
Capital Assets, net of accumulated depreciation	<u>14,039</u>
 Total Assets	 <u>1,161,253</u>
 <u>LIABILITIES</u>	
Accounts, Grants and Contracts Payable	143,362
Credit Cards Payable	14,025
Accrued Personnel Costs	28,137
Lease Liability - Due within one year	2,284
 Long-term Liabilities:	
Compensated Absences Payable	<u>13,872</u>
 Total Liabilities	 <u>201,680</u>
 <u>NET POSITION</u>	
Restricted	945,534
Unrestricted	-
Invested in Capital Assets, net of accumulated depreciation	<u>14,039</u>
Total Net Position	<u><u>\$ 959,573</u></u>

See Accompanying Notes to Financial Statements.

**FIRST 5 MENDOCINO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

FIRST 5 PROGRAM EXPENSES

	Total
Salaries and Employee Benefits	\$ 671,924
Outside Services	265,486
Professional Fees	12,555
Occupancy	44,002
Equipment Lease	1,099
Meeting Expenses	7,854
Office Expenses	11,131
Postage and Delivery	704
Printing and Reproduction	1,783
Outreach	62,307
Training	10,790
Travel	4,350
Memberships	6,681
Insurance	23,795
Interest Expense	141
Depreciation	5,170
Miscellaneous	5,102
Equipment Maintenance and Repairs	252
AmeriCorps	815
Program Expenses	59,407
Sub-Recipients	172,187
Total Program Expenses	1,367,535

PROGRAM REVENUES

Operating Grants and Contributions:	
Props. 10 & 56 Apportionment	662,165
Surplus Money Investment Funds	304
Grant Revenues and Contributions	709,156
Other Misc. Revenue	14,744
Total Program Revenues	1,386,369
Net Program Revenues (Expense)	18,834

GENERAL REVENUES

Interest income	1,694
Change in Net Position	20,528
Net Position - Beginning of Year	938,680
Prior Period Adjustment	365
Net Position - End of Year	\$ 959,573

See Accompanying Notes to Financial Statements.

**FIRST 5 MENDOCINO
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2022**

ASSETS

Cash in County Treasury	\$ 268,186
Cash - Payroll Account	500,620
Accounts Receivable - State of California	114,150
Grants and Contracts Receivable	163,063
Deposits	540
Total Assets	\$ 1,046,559

LIABILITIES

Accounts Payable	\$ 143,358
Credit Card Payable	14,025
Accrued Payroll	28,137
Total Liabilities	185,520

FUND BALANCES

Fund Balances:	
Nonspendable	540
Committed	860,499
Total Fund Balances	861,039
Total Liabilities and Fund Balances	\$ 1,046,559

**Reconciliation of the Governmental Fund Balance Sheet
to the (Government - Wide) Statement of Net Position**

Fund Balance - Total Governmental Fund (from above)	\$ 861,039
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Revenues received more than ninety days after the fiscal year end are not considered currently available resources and therefore are not reported as revenues in the governmental funds activities.	55,655
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets and depreciated.	14,039
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	45,000
Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported in the governmental fund.	
Compensated Absences	(13,872)
Lease Liability and Related Interest Payable	(2,288)
Net Position of Governmental Activities	\$ 959,573

See Accompanying Notes to Financial Statements.

FIRST 5 MENDOCINO
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2022

REVENUES

Operating Grants and contributions:	
State Allocation	\$ 662,165
Surplus Money Investment Fund	304
Grant Revenues	731,837
Interest Income	1,694
Other Revenue	94,744
Total Revenues	1,490,744

EXPENDITURES

Administrative Costs	
General Administration	171,944
Program Costs	
Parenting Programs	281,382
Substance Abuse Programs	15,988
Policy/Shared Programs	811,937
Support Programs	46,484
Program Evaluation	35,798
Total Expenditures	1,363,533

Surplus(Deficiency) of Revenues over Expenditures	127,211
Fund Balance - Beginning of Year	733,828
Fund Balance - End of Year	\$ 861,039

**Reconciliation of the Statement of Revenue, Expenditures and
Changes in Fund Balance to the Government-Wide Statement of Activities**

Net Change to Fund Balance - Total Governmental Fund	\$ 127,211
Total change in net position for governmental activities in the statement of activities is different because:	
Revenues received more than ninety days after the fiscal year end are not considered currently available resources and therefore are not reported as revenues in the governmental funds activities.	
	(22,681)
Loan receivable transactions and Lease payments are not considered expenditures for the Government-wide financial statement -	
Note Receivable - related party	(80,000)
Note Receivable - forgivable loans	(8,602)
Lease Liability	2,959
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund	
Depreciation Expense	(5,170)
Differnces on Lease Interest Amortization	(5)
Change in Compensated Absences	6,816
Change in Net Position of Governmental Activities	\$ 20,528

See Accompanying Notes to Financial Statements.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 1: Nature of the Entity

Reporting Entity

FIRST 5 Mendocino (Commission), originally known as the Mendocino County Children and Families Commission, was established on January 5, 1999 pursuant to Health and Safety Code 130140. The Commission was also established in accordance with the provisions of the California Children and Families First Act of 1998 and by Mendocino County Ordinance No. 4027 and 4049. The Commission is comprised of nine local professionals representing different sectors of the community that impact young children. The members of the Commission are appointed by the Mendocino County Board of Supervisors.

The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of information and services to enhance early childhood development. The vision of the Commission is: Mendocino County will have cohesive and resilient communities where all children have equitable access to quality services, support, and opportunities that they need in order to reach their full potential. And the mission of the Commission is: In partnership with our community, we strengthen and nurture early childhood systems that promote optimal health and development, narrow disparities, and improve the lives of children through education, support, and advocacy.

The Commission invests in local programs and services for young children and their families to fill in the gaps in early childhood systems so that families have access to the community-based supports they need.

The Commission includes all activities (operations of its administrative staff and Commission officers) considered to be part of the Commission. The accounting methods and procedures adopted by the Commission conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the primary government.

Reporting for component units on the Commission's financial statements can be blended or discretely presented. Component units, although legally separate entities, are in substance part of the government's operations. Blended component units are an extension of the Commission and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are presented in a separate column in the combined financial statements to emphasize they are legally separate from the Commission. The Commission has determined there are no entities that meet the definition of a blended component unit or discretely presented component unit.

The financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and results of operations of the County of Mendocino taken as a whole.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 2: Summary of Significant Accounting Policies

Basis of Presentation and Accounting

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

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 at the time liabilities are incurred, regardless of when related cash flows take place.

When both restricted and unrestricted resources are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurements focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission reports one major governmental fund

- The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 2: Summary of Significant Accounting Policies (continued)

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide statement of Net Position.

Accounts Receivable and Grants and Contracts Receivable

This amount represents receivables from FIRST 5 California and other grants and contracts. As of June 30, 2022, the Commission was due \$168,462 from the State of California for Proposition 10 and 56 funding and the home visitation coordination grant, and \$164,406 from other sources. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

Forgivable Loans

In fiscal year 2017-2018 the Commission granted two forgivable loans for emergency funding. These loans are forgivable over a 60 month period as long as the grantee continues operations. In 2018-19 the Commission advanced another \$16,400 to one of the two entities. If the grantee ceases operations before June 30, 2023 the remaining loan amount will become due. During the 19-20 fiscal year, one of the agencies was not able to provide services and returned the funds. Total amount granted as loans at June 30, 2022 totaled \$4,000.

Compensated Absences

Employees accrue vacation of two weeks per year, with a maximum accrual of 160 hours. Upon termination, unused vacation, up to accrual limits, is paid off in cash. At fiscal year end, the total vacation liability was \$13,872.

Capital Assets

Capital assets have been acquired for general commission purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The Commission defines capital assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated in the government-wide statements using the straight-line method over their estimated useful lives of 5 years. Capital assets also include lease assets and accumulated depreciation under GASB 84. Additional information regarding leases is noted below in Note 4 and 6 below.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 2: Summary of Significant Accounting Policies (continued)

Net Position/Fund Balances

Net Position

The government-wide financial statements utilize a net position presentation. The net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all the capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted* – This category represents net assets with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This category represents net assets of the Commission, not restricted for any project or other purpose.

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

- **Nonspendable** –
This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example
 - Assets that will never convert to cash, such as prepaid items and inventories of supplies;
 - Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
 - Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

• **Restricted –**

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include

- Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 CA under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loan outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

• **Committed –**

Two criteria determine the Committed fund balance:

1. Use of funds is constrained by limits imposed by the government's highest level of decision making. The highest level of decision making for Proposition 10 funds is the FIRST 5 Mendocino Commission.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Commission) that established the constraints.

Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon. For FIRST 5 organizations, resources in this category would include:

- Resources committed for a future initiative as long as commission action is also required to remove this commitment.
- Resources that have been committed by a commission for specific agreements that have not yet been executed, where commission action is also required to remove this commitment.
- Resources committed as the local match for a State Commission initiative.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

• **Assigned –**

The assigned portion of the fund balance reflects a commission’s intended use of resources, which is established either by the county FIRST 5 Commission, a body created by the commission, such as a commission finance committee, or an official designated by the commission (e.g., an Executive Director). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of FIRST 5 Commission	Yes	No
Formal action of Commission is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period)	Yes	No

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Consequently, tobacco tax revenues would not automatically be placed in the “committed” component. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget, where the Executive Director may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the commission has approved a plan or budget.
- Resources approved by a commission for a long range financial plan where formal approval is not required to modify the amount.

FIRST 5 Mendocino can assign amounts under this category, and may also authorize the Executive Director to assign amounts under this category when that decision is consistent with the approved long term financial plan.

• **Unassigned –**

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 2: Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain unreported amounts and disclosures. Actual results could differ from those estimates.

Note 3: Credit Risk, Carrying Value and Market Value of Investments

At June 30, 2022, cash is maintained in local bank insured by the FDIC as well as having cash maintained in a pooled fund for investment purposes and held by the County of Mendocino. The Mendocino County Treasury is an external investment pool for the Commission and the Commission is considered an involuntary participant.

The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually.

The County Treasury is accountable to the County Treasury Oversight Committee. The Commission's fair value portion in the pool is the same as the Commission's pool share. The fair value of cash and investments were the same and therefore, no adjustment was necessary for GASB 31 compliance.

The Commission deposits funds in interest bearing accounts with Mendocino County. The Commission does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Mendocino's financial statements. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Note 4: Capital Assets

Changes in Capital Assets for the year ended June 30, 2022, was as follows (July 1, 2021 restated for GASB 87 lease adjustments described below):

	<u>July 1,</u> <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2022</u>
Equipment	\$22,187	\$ --	\$ (7,830)	\$ 14,357
Vehicles	22,989	--	--	22,989
Less accumulated depreciation	(25,967)	(5,170)	7,830	(23,307)
Capital assets, net	<u>\$ 19,209</u>	<u>\$ (5,170)</u>	<u>\$ --</u>	<u>\$ 14,039</u>

Depreciation for the year ended June 30, 2022 was \$5,170.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 5: Note Receivable-Prior Related Party Notes

During the fiscal year ended June 30, 2016, the Commission started a nonprofit organization called Raise & Shine. Raise & Shine started as a program of the Commission until it was incorporated and received its own tax exemption from the IRS and California. The new non-profit shared a board of directors that was the same as the Commission. The Commission had funded the non-profit and fronted the initial costs of the Sandbox child care center with the understanding that the new non-profit would reimburse the Commission over five years for the loan and initial costs. The Commission had a memorandum of understanding with the non-profit to provide administrative services including processing payroll, human resource services, and other administrative services. At June 30, 2021, Raise & Shine owed \$4,602 to the Commission for the initial loan and for start-up costs for equipment and supplies for the Sandbox child care center. During the fiscal year ended June 30, 2022, this was reduced to \$0 by a grant as noted above.

In fiscal year 2020-2021, Raise & Shine had additional costs due to COVID related requirements as well as issues related to the timing of state funds receivable for the childcare program. As such, the Commission loaned the Raise & Shine nonprofit \$121,000. The Commission has a memorandum of agreement for the repayment terms as follows: \$70,000 due by September 15, 2021; then \$2,450 due monthly through May 2023 and the final payment of \$2,000 due June 30, 2023. This loan was not considered available funds under the modified accrual basis of accounting and was therefore reported as a program expense in the fund financial statements for fiscal year 2020-2021. During the fiscal year ended June 30, 2022, the Sandbox, the main program of Raise & Shine, split off of Raise & Shine and became its own nonprofit organization. The new entity called The Sandbox, is no longer a component unit of the Commission. The debt owed to the Commission is due from The Sandbox.

At June 30, 2022, the balance of the loan was \$41,000. Payments made during the fiscal year 21-22 totaled \$80,000. It is management's belief that this debt is still collectible and they are working with The Sandbox to receive repayment of the loan.

Note 6: Leases

Lease agreements are summarized as follows:

Describe	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2022
Copier	6/13/2018	5 years	3,095	3.10%	14,357	\$ 2,284
Total Lease Agreements						\$ 2,284

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 6: Leases (continued)

In June 2018, the Commission entered into a lease agreement for a copier and scanner. The lease payments began in June 2018 and has a five-year term with monthly payments of \$257.94 plus sales tax. The lease did not have a stated interest rate so the Commission used the IRS applicable rate for June 2018 for midterm loans which was 3.10%. The lease is not renewable and the Commission will not acquire the copier at the end of the five years. Variable payments not included in these calculations include black and white copies in excess of 2,000 at \$0.0184 per copy and color copies in excess of 1,000 at \$0.067 per copy.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year ending June 30	Principal	Interest
2023	\$ 2,284	\$ 43
Total	<u>\$ 2,284</u>	<u>\$ 43</u>

The Commission rents its office space under a month to month lease and does not meet the requirements of a lease under GASB 87. The monthly rents are \$2,065 and total rents were \$24,780 for the fiscal year ended June 30, 2022.

Note 7: Change in Accounting Principles and Restatement

For the year ended June 30, 2022, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. These changes were incorporated into the Commission's fiscal year 2021-2022 financial statements.

The implementation of the GASB Statement No. 87 had the following effect on the net position as reported at June 30, 2021:

	Governmental <u>Activities</u>
Net Position June 30, 2021	\$ 938,680
Lease Assets	14,357
Accumulated Depreciation	(8,750)
Lease Liability	<u>(5,242)</u>
Net Position at June 30, 2021	<u>\$ 939,045 - Restated</u>
Total Prior Period Adjustment was \$365.	

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 8: Functional Allocation of Costs

The Commission allocates costs between administrative, program and evaluation activities. Direct costs are expensed directly to the category. Indirect costs and Personnel costs are allocated based on the amount of time staff spends on each activity.

Costs for the year ended June 30, 2022 were as follows:

	<u>General Fund</u>	<u>Adjustment</u>	<u>Government-Wide</u>
Program	\$ 1,155,791	\$ 7,192	\$ 1,162,983
Administration	171,944	(2,552)	169,392
Evaluation	<u>35,798</u>	<u>(638)</u>	<u>35,160</u>
TOTAL	<u>\$ 1,363,533</u>	<u>\$ 4,002</u>	<u>\$ 1,367,535</u>

The differences between the general fund statements and the government-wide statements were depreciation expenses of \$5,170, the change in the accrued vacation time of \$6,816, the lease payment adjustments of \$2,954 and the expenditure for the grants reported as a loans or forgiven loans net \$8,602.

Note 9: Program Evaluation

The Commission spent \$35,798 program evaluation during the fiscal year ended June 30, 2022.

Note 10: Risk Management

The Commission is exposed to various risks of loss related to general liability and workers' compensation. Insurance for the Commission is secured through commercial lines for both general liability and workers' compensation coverage.

Note 11: Section 30131.4 of the California Tax & Revenue Code Certification

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

Note 12: Uncertainties

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Commission's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Commission's partner agencies, the County offices and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Commission's financial position and changes in net position/fund balances is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**FIRST 5 MENDOCINO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Note 13: Subsequent Events

Events subsequent to June 30, 2022 have been evaluated through December 19, 2022, the date at which the Commission's audited financial statements were available to be issued. There were no events through this date that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 MENDOCINO
SCHEDULE OF REVENUES EXPENDITURES
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual Amount	Variance With Original Budget
Budgetary Fund Balances, July 1, 2021	733,828.00	733,828.00	733,828.00	\$ -
<u>Resources (Inflows)</u>				
Operating Grants and contributions:				
Prop 10 & 56 Apportionment	673,617	673,617	662,165	(11,452)
Grant Revenues	963,941	963,941	731,837	(232,104)
Prop 10 Surplus Money Investment Fund	-	-	304	304
Interest Income	3,544	3,544	1,694	(1,850)
Other Revenue	42,540	42,540	94,744	52,204
Total Revenues	<u>1,683,642</u>	<u>1,683,642</u>	<u>1,490,744</u>	<u>(192,898)</u>
<u>Charges to Appropriations (Outflows)</u>				
Parenting Programs	405,263	405,263	281,382	123,881
Substance Abuse Programs	32,203	32,203	15,988	16,215
Increase Family Resilience	876,874	876,874	811,937	64,937
Support Programs	35,493	35,493	46,484	(10,991)
Evaluation	54,601	54,601	35,798	18,803
Administration	274,210	274,210	171,944	102,266
Total Expenditures	<u>1,678,644</u>	<u>1,678,644</u>	<u>1,363,533</u>	<u>315,111</u>
Surplus(Deficiency) of Revenues over Expenditures	4,998	4,998	127,211	
Fund Balance - Beginning of Year	733,828	733,828	733,828	
Fund Balance - End of Year	<u>\$ 738,826</u>	<u>\$ 738,826</u>	<u>\$ 861,039</u>	

See Accompanying Notes to Financial Statements.

FIRST 5 MENDOCINO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Commissioners in June of the prior fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from or changes only by Commission resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years and included in the subsequent years' budgets. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, rent and utilities, retention incentive expenditures, and other program expenditures.

OTHER SUPPLEMENTARY INFORMATION

**FIRST 5 MENDOCINO
SCHEDULE OF EXPENDITURES BY FUND SOURCE AND
NET POSITION OF CALIFORNIA CHILDREN AND FAMILIES COMMISSION
FOR FIRST 5 PROGRAMS AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

		Revenue CCFC Funds	Expenditures	Change in Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	CCFC Program Funds	\$ 59,900	\$ 59,900	\$ --	\$ --	\$ --
Small Population County Funding Agreement (SPCFA)	CCFC Program Funds*	\$ 78,426	\$ 62,030	\$ 16,396	\$ (16,396)	\$ --
Home Visitation Coordination	CCFC Program Funds*	\$ 97,575	\$ 89,947	\$ 7,628	\$ (61,940)	\$(54,312)

* The SPCFA (\$16,396) and Home Visitation Coordination (\$61,940) quarterly payments for fiscal year 2020-2021 were not received within ninety (90) days after the fiscal year end. These revenues are reported in the fiscal year, 2021-2022 on the governmental fund financial statements. The Home Visitation Coordination (\$54,312) quarterly payments for fiscal year 2021-2022 were not received within ninety (90) days after the fiscal year end and therefore will be reported as revenues in fiscal year 2022-2023.

**FIRST 5 MENDOCINO
DETAIL SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2022**

FIRST 5 PROGRAM EXPENSES

	Parenting	Substance		Support Programs	Evaluation	Administrative		TOTALS
		Abuse	Resiliency			Admin.	Allocated Costs	
Salaries and Employee Benefits	\$ 155,445	\$ 9,009	\$ 309,877	\$16,673	\$ 20,369	\$ 78,463	\$ 88,904	\$ 678,740
Outside Services	17,280	-	192,981	24	-	21,298	33,903	265,486
Professional Fees	-	-	-	-	-	-	12,555	12,555
Occupancy	1,176	-	4,870	-	-	-	37,956	44,002
Equipment Lease	-	-	-	-	-	12	1,087	1,099
Meeting Expenses	-	-	5,673	-	-	1,482	699	7,854
Office Expenses	83	-	2,488	182	-	41	8,337	11,131
Postage and Delivery	302	-	-	-	-	-	402	704
Printing and Reproduction	184	-	741	-	-	56	802	1,783
Outreach	100	-	62,207	-	-	-	-	62,307
Training	930	-	9,083	140	-	454	183	10,790
Travel	418	-	3,340	-	-	362	230	4,350
Memberships	-	-	-	-	-	6,681	-	6,681
Insurance	-	-	-	-	-	-	23,795	23,795
Interest	-	-	-	-	-	-	136	136
Miscellaneous	-	-	59	-	-	335	4,708	5,102
Equipment Repair and Maint.	-	-	-	-	-	-	252	252
AmeriCorps	-	-	815	-	-	-	-	815
Program Expenses	6,405	-	52,651	-	-	45	306	59,407
Sub-Recipients	65,310	-	77,030	21,245	-	-	-	163,585
Debt Service:								
Principal Payments on Lease							2,959	2,959
Administration Allocation	33,749	6,979	90,122	8,220	15,429	61,034	(215,533)	-
Total Program Expenses	<u>\$281,382</u>	<u>\$ 15,988</u>	<u>\$ 811,937</u>	<u>\$ 46,484</u>	<u>\$ 35,798</u>	<u>\$ 170,263</u>	<u>\$ 1,681</u>	<u>\$ 1,363,533</u>

See Accompanying Auditor's Report and Notes to Financial Statements.

**FIRST 5 MENDOCINO
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2022**

The audit of the fiscal year ended June 30, 2021 did not report any findings.

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

**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
INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners
FIRST 5 Mendocino
Ukiah, California

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 each major fund of FIRST 5 Mendocino (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 December 19, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
December 19, 2022

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
FIRST 5 Mendocino
Ukiah, California

Report on Compliance

Opinion

We have audited FIRST 5 Mendocino's (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 ended June 30, 2022.

In our opinion, FIRST 5 Mendocino 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.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

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

We are required to communicate with those charged with governance regarding, amount 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.

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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Jensen Smith". The signature is written in a cursive, flowing style.

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
December 19, 2022

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

December 19, 2022

Board of Commissioners
FIRST 5 Mendocino
Ukiah, California

Dear Ladies and Gentlemen,

Thank you for your confidence in choosing us for your auditing needs. The audit of the Commission went smoothly even with the delays with the County closing their books

In planning and performing our audit of the financial statements of FIRST 5 Mendocino for the year ended June 30, 2022, we considered FIRST 5 Mendocino's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We previously reported on FIRST 5 Mendocino's internal control in our report dated December 19, 2022. This letter does not affect our report dated December 19, 2022, on the financial statements or internal control of FIRST 5 Mendocino.

We want to thank your staff for their assistance in completing the audit. We commend you for the continued support and services you provide to the children in Mendocino County.

We wish you the best in the current year.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.