FIRST 5 PLACER
CHILDREN AND FAMILIES COMMISSION

(A Component Unit of the County of Placer, California)

Independent Auditors' Reports, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and Other Reports

For the Fiscal Year Ended June 30, 2026

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
First 5 Placer Children and Families Commission
Rocklin, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the First 5 Placer Children and Families Commission, (hereafter, the Commission) a component unit of the Placer County (hereafter, the County) as of and for the year ended June 30, 2026, 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 the general fund of the Commission as of June 30, 2026, 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 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. 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Commission and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2026, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, *Government Auditing Standards,* and the requirements specified in 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. 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, *Government Auditing Standards,* and the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material 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.

To the Honorable Mayor and Members of the City Council
Rocklin, California

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 as listed on the table of contents 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.

Other Reporting Required by *Government Auditing Standards* and the Requirements Specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2026, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.

LSL, LLP

Sacramento, California
September 30, 2026

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help readers understand what the financial statements and notes in this financial report say about the First 5 Placer Children and Families Commission (the Commission)'s health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by management's knowledge of the Commission's finances.

For questions concerning any of the information provided in this report or requests for additional information, contact the First 5 Placer Children and Families Commission at 1400 W. Stanford Ranch Road, Rocklin, California 95765.

Overview of the Financial Statements

The Commission's financial report contains basic financial statements. Those financial statements present the Commission's finances at both an overall and a detailed level. The *government-wide financial statements*—cover the Commission's governmental activities. *Governmental activities* comprise the Commission's child development function, which is financed by tobacco taxes levied by the State of California and from grants awarded by the State of California and the federal government.

The remaining basic financial statements present the Commission's finances in greater detail. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The Commission reports one group of funds—*governmental fund financial statements.* The Commission's main operating fund is its general fund.

The next section of this financial report contains *notes to financial statements,* which delve deeper into the Commission's finances as reported in the financial statements. The information in the notes is as important to understanding the Commission's finances as the information in the financial statements. The Commission uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements

The Commission's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus and accrual basis of accounting.* In other words, they comprehensively report all types of financial statement elements.

- *Assets* – resources the Commission controls, e.g., short-term assets like cash.
- *Liabilities* – amounts the Commission owes, e.g., short-term liabilities such as accounts payable.
- *Deferred outflows of resources and deferred inflows of resources* – flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* – inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The

governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as leases payable, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing debts or selling equipment, as well as principal and interest payments on debt and spending on the construction of a capital asset.

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page 18.

Analysis of the Commission's Finances

Table A-1
Commission's Net Position

	2026	2025	Dollar Change	Percentage Change
Current and other assets	$ 7,996,529	$ 7,939,887	$ 56,642	1%
Capital assets, net	20,910	-	20,910	N/A
Total assets	8,017,439	7,939,887	77,552	1%
Other liabilities	1,087,603	1,234,340	(146,737)	-12%
Long-term liabilities	21,237	-	21,237	N/A
Total liabilities	1,108,840	1,234,340	(125,500)	-10%
Net Position				
Net investment in capital assets	(327)	-	(327)	N/A
Unrestricted	6,908,926	6,705,547	203,379	3%
Total net position	$ 6,908,599	$ 6,705,547	$ 203,052	3%

Table A-1 above shows that as of June 30, 2026, the Commission's total net position – assets and deferred outflows minus liabilities and deferred inflows – was $6.9 million, an increase of $203,052 or 3 percent compared with 2025. This increase is primarily due to a $203,379 or 3 percent increase in unrestricted net position. The increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

Governmental Activities

Table A-2 shows that revenues exceeded expenses in the current year, resulting in an increase in net position. Various events contributed to this increase; however, the three primary factors affecting the change in net position are as follows:

1. An increase in intergovernmental grant revenues, particularly related to a new revenue stream for the Children and Youth Behavioral Initiative (CYBHI) grant, offset by a net decrease in Proposition 10 and Proposition 56 apportionment revenues.

2. Decrease in investment earnings.

3. Increases in expenses for the child development function.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2026

Table A-2
Changes in the Commission's Net Position

	2026	2025	Dollar Change	Percentage Change
Revenues				
Program revenues:				
Operating grants and contributions	$ 3,769,577	$ 3,155,092	$ 614,485	19%
General revenues:				
Investment earnings	245,658	373,485	(127,827)	-34%
Miscellaneous	350	-	350	N/A
Total revenues	4,015,585	3,528,577	487,008	14%
Expenses				
Child development	3,812,533	3,267,476	545,057	17%
Change in net position	203,052	261,101	(58,049)	-22%
Net position – beginning of period	6,705,547	6,444,446	261,101	4%
Net position – end of period	$ 6,908,599	$ 6,705,547	$ 203,052	3%

The Commission's primary source of revenue is taxes levied by the State of California on tobacco products, which is shown in the financial statements under "Operating Grants and Contributions". Additionally, a significant source of revenue comes from state and federal grants. Together, the revenue from operating grants and contributions increased by $614,485 or 19 percent compared to the prior year. This was due to a net slight decrease in Proposition 10 and Proposition 56 apportionment revenues of $36,411, offset by an increase in grant revenues of $650,896. The net decrease in Proposition 10 and Proposition 56 revenues was due to the decrease in tobacco-related products tax revenue from the California Department of Tax and Fee Administration. The increase in state and federal grant revenue is attributed to the increase in funding for the Road to Resilience Grant through the Office of Child Abuse Prevention and CalWORKS home visiting grant through Placer County.

A less significant portion of the Commission's revenue is investment earnings, which was 6 percent of the governmental activities revenues, decreased by $127,827 or 34 percent from the prior year mainly due to lower interest rates. In the prior year, the Central banks maintained higher interest rates to combat inflation, the U.S. Treasury yield drifted lower by the end of June 2026.

Total expenses for child development programs increased by $545,057 or 17 percent compared to the prior year. The expenses included $3,360,709 in program expenses, $359,465 in administrative expenses, and $133,852 in evaluation expenses compared to $2,856,882, $282,894, and $127,700, respectively, from the prior year. The increases in these expenses were due to increased activity on the externally funded grants (CYBHI 2 and 3, and Road to Resilience). These grants (especially the CYBHI grants) had delayed starts in fiscal year 2024-2025. Fiscal year 2025-2026 was the first full year of operations under the two CYBHI grants, so expenses were more robust than their start-up year.

Governmental Funds

The Commission reports one major general fund in the governmental fund financial statements. All of the discussion regarding governmental activities is equally applicable to the finances of the general fund. The general fund is shown in Table A-3 and is discussed in more detail below.

Table A-3
Revenues, Expenditures, and Changes in Fund Balance

	2026	2025	Dollar Change	Percentage Change
Total revenues	$ 4,015,585	$ 3,528,577	$ 487,008	14%
Expenditures				
Current	3,790,606	3,267,476	523,130	16%
Debt Service	21,600	-	21,600	N/A
Capital Outlay	41,820	-	41,820	N/A
Total	3,854,026	3,267,476	586,550	18%
Other Financing Sources (Uses)				
SBITA issued (as lessee)	41,820	-	41,820	N/A
Net change in fund balance	203,379	261,101	(57,722)	
Fund balance - beginning of period	6,705,547	6,444,446	261,101	4%
Fund balance - end of period	$ 6,908,926	$ 6,705,547	$ 203,379	3%

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

The fund balance of the Commission's General Fund increased by $203,379 or 3 percent from fiscal year ended June 30, 2025. The increase in the fund balance can be attributed to the financial performance of the governmental activities as explained above.

Currently Known Facts, Decisions, or Conditions

The Commission is committed to focusing Proposition 10 funds as intended by the Act and Commission's Strategic Plan. Through local decision-making, the Commission seeks to promote, support and improve the early development of children from the prenatal stage through five years of age by creating and implementing an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood. This includes supporting the families of our youngest residents and the community that serves them.

Factors affecting First 5 revenues include policy decisions and consumer trends related to tobacco consumption and taxes. Since the implementation of a ban on tobacco tax products in January 2023, First 5 has experienced fewer tobacco-tax related revenues such that the State has had to revise revenue assumptions downward each year of the current strategic plan.

The fiscal year ended June 30, 2026, was the second year of the Commission's 2024-2030 Strategic Plan in which the Commission adopted a more narrowed focus in response to significant projected declines. The Commission's Long Range Financial Plan (see page 9) mitigates declines in revenue by drawing from the fund balance. Additionally, the Commission is focused on obtaining grant revenues and working collaboratively with other entities to support initiatives and collective impact models, leveraging First 5 dollars for maximum impact in the face of likely declining tobacco revenues.

Grant-related revenues have been the chief means of leveraging First 5 dollars and capacity in support of our funded partner network in alignment with the Strategic Plan. Continued efforts in blending and braiding revenue streams and collaborative efforts to support a coordinated, integrated home visiting system involve First 5 Placer working in partnership with partners including non-profit agencies, governmental entities (County, Education, and State) and First 5 California. The Commission holds 4 outside grants for the fiscal year beginning July 1, 2026, for projects related to home visiting, support for pregnant and parenting families, and capacity building for therapeutic interventions. These are examples of how the Commission fills in the gaps of a larger system to improve overall outcomes for children.

The Commission's Long Range Financial Plan provides a framework for a predictable community investment of Proposition 10 tax dollars in Placer County over ten years, the basis of which is conservative financial stewardship of funding for sustainability. This planning for sustainability allows the Commission to assure a long-term, predictable, future funding stream to the community of providers in Placer County, given declining tobacco tax revenues.

This plan is updated annually to reflect actual expenditures, annual budgets as they are adopted, and changes in assumptions, such as revenue projections and is intended to be used as a planning tool. The Long-Range Financial Plan is adopted annually.

Fiscal year 2026-2027 includes the most current approved budgeted expenditures. Proposition 10 revenues are based on the most current state projections (June 2026) through fiscal year 2029-2030, with a projected annual birth share of 0.95% and an annual 3% decline in subsequent years. Interest earnings are projected at 2% of the fund balance.

Revenue and expenditure forecasts for fiscal year 2030-2031 and beyond are presumptive, illustrating potential scenarios for program, administrative and evaluation allocations. Frameworks presented here are only suggestions for annual budgets, created to comply with the minimum fund balance policy such that annual expenditures do not exceed the sustainability of the fund balance. Administrative costs include staff time, which will be reallocated to Program expenditures when annual budgets are adopted; thus, they stay within the 14% administrative cost limit. The following table presents the long-range financial plan:

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2026

Financial Planning for Sustainability - Long Range Financial Plan

Dollars Expressed in Millions

	2024-2030 Strategic Plan				2031-2036 Strategic Plan					
Fiscal Year	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
Revenues										
Annual Tobacco Tax Allocation	$ 1.772	$ 1.717	$ 1.681	$ 1.660	$ 1.509	$ 1.456	$ 1.405	$ 1.356	$ 1.309	$ 1.263
Interest Earnings	0.129	0.115	0.109	0.101	0.093	0.087	0.080	0.072	0.063	0.052
Other Funding	1.953	0.070	0.070	0.070	0.060	0.060	0.060	0.060	0.060	0.060
Subtotal Revenue	**3.854**	**1.902**	**1.860**	**1.832**	**1.662**	**1.603**	**1.545**	**1.488**	**1.432**	**1.375**
Expenses										
Programs	4.108	1.200	1.200	1.200	1.000	1.000	1.000	1.000	1.000	1.000
Administration	0.785	0.920	0.942	0.960	0.870	0.870	0.870	0.870	0.870	0.870
Evaluation	0.100	0.100	0.100	0.100	0.080	0.080	0.080	0.080	0.080	0.080
Subtotal Expenses	**4.993**	**2.220**	**2.242**	**2.260**	**1.950**	**1.950**	**1.950**	**1.950**	**1.950**	**1.950**
Planning for Sustainability										
Beginning Fund Balance	**6.909**	**5.770**	**5.452**	**5.069**	**4.641**	**4.354**	**4.007**	**3.602**	**3.141**	**2.622**
Net Change in Fund Balance	**(1.139)**	**(0.318)**	**(0.382)**	**(0.428)**	**(0.288)**	**(0.347)**	**(0.405)**	**(0.462)**	**(0.518)**	**(0.575)**
Ending Fund Balance	**$ 5.770**	**$ 5.452**	**$ 5.069**	**$ 4.641**	**$ 4.354**	**$ 4.007**	**$ 3.602**	**$ 3.141**	**$ 2.622**	**$ 2.047**

This plan includes a working 6-year budget for fiscal years 2027-2030 for the Commission's consideration in fall 2026. The budget framework beginning fiscal year 2030-2031 is highly speculative. This framework complies with the minimum fund balance policy. Administrative costs include staff time that will be attributed to Program when annual budgets are adopted; thus, they appear to exceed the 14% administrative cost limit.

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Basic Financial Statements

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FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and investments in County treasury	$ 7,556,851
Due from other governments	439,678
Depreciable capital assets, net	20,910
Total assets	8,017,439
Liabilities	
Accounts payable	441,653
Unearned revenue	645,950
Long-term liabilities:	
SBITA due within one year	21,237
Total liabilities	1,108,840
Net Position	
Net investment in capital assets	(327)
Unrestricted	6,908,926
Total net position	$ 6,908,599

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Statement of Activities
For the Fiscal Year Ended June 30, 2026

Function/Program	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Child Development	$ 3,812,533	$ 3,769,577	$ (42,956)
General Revenues:			
Unrestricted investment earnings			245,658
Miscellaneous			350
Total general revenues			246,008
Change in net position			203,052
Net position – beginning of period			6,705,547
Net position – end of period			$ 6,908,599

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Balance Sheet
June 30, 2026

Assets		
Cash and investments in County treasury	$	7,556,851
Due from other governments		439,678
Total assets	$	7,996,529
Liabilities		
Accounts payable	$	441,653
Unearned revenue		645,950
Total liabilities		1,087,603
Fund Balance		
Committed for contractual obligations		4,464,654
Unassigned		2,444,272
Total fund balance		6,908,926
Total liabilities and fund balance	$	7,996,529

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2026

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance	$	6,908,926
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		
Depreciable, net		20,910
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the fund.		
SBITA liability		(21,237)
Net position of governmental activities	$	6,908,599

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2026

Revenues		
Proposition 10 apportionment	$	1,448,750
Proposition 56 apportionment		532,851
Intergovernmental grants		1,787,976
Investment earnings		245,658
Miscellaneous		350
Total revenues		4,015,585
Expenditures		
Current:		
Professional and specialized services		2,950,365
Services and supplies		840,241
Debt service:		
Principal		20,583
Interest		1,017
Capital outlay		41,820
Total expenditures		3,854,026
Excess (deficiency) of revenues over expenditures		161,559
Other Financing Sources (Uses)		
SBITA issued (as lessee)		41,820
Net change in fund balance		203,379
Fund balance – beginning of period		6,705,547
Fund balance – end of period	$	6,908,926

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended June 30, 2026

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance	$	203,379
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.		
SBITA amortization		(20,910)
Capital outlay		41,820
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long term liabilities in the statement of net position.		
SBITA issued		(41,820)
Principal paid on SBITA		20,583
Change in net position of governmental activities	$	203,052

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2026

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The First 5 Placer Children and Families Commission (Commission) was established by the Placer County Board of Supervisors in 1999 under the provisions of the California Children and Families First Act of 1998 (Act). The Commission is an autonomous, self-governing public entity with its members appointed by the Placer County Board of Supervisors. The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage to five years in age in the County, consistent with the goals and objectives of the Act. The Commission's activities are mainly funded by taxes levied by the State of California on tobacco products.

The Commission is administered by a governing board of nine members. The composition of the Commission membership is guided by Health and Safety Code Section 130140 (A), and Commissioners serve a three-year term. No member may serve more than two consecutive three-year terms. The County Board of Supervisors may remove any Commissioner at any time. For financial reporting purposes, the Commission is a discretely presented component unit of the County of Placer (County).

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. Liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation of the Commission's remaining assets.

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 operating grants and contributions that are restricted to meeting the operational requirements of the Commission. Revenues that are not classified as program revenues, such as investment earnings, 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 the timing of related cash flows. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Separate financial statements are provided for the governmental fund. The governmental fund financial statements are reported using the current financial resources measurement 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. For this purpose, the Commission considers revenues to be available if collected within 90 days after the end of the current period. All receivables are expected to be collected within the Commission's availability period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Note 1 – Summary of Significant Accounting Policies (Continued)

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include tobacco taxes, grants, entitlements and donations. On the modified accrual basis, tobacco tax and grant revenues are recognized when the underlying transactions take place and have met the availability criteria.

The General Fund is the Commission's primary operating fund and its only major fund. The General Fund accounts for all financial resources of the Commission.

Capital Assets

The Commission engages in Subscription-Based Information Technology Arrangement (SBITA) to meet operational needs or to serve the general public. The Commission's SBITA contracts relate to information technology software. For short-term SBITA contracts with a maximum possible term of 12 months or less at commencement, the Commission recognizes periodic revenue or expenditure based on the provisions of the SBITA contract. For long-term SBITA contracts, the Commission recognizes a SBITA liability and a SBITA asset based on the present value of future payments over the contracted term. The SBITA assets are reported as capital assets, and SBITA liabilities are reported as long-term debt in the statement of net position.

Subscription assets' capitalization thresholds are consistent with the County's capital asset policy depending on the type of subscription assets. Depreciation is based on the subscription or lease terms.

The Commission uses the County of Placer's estimated incremental borrowing rate as the discount rate for leases unless the rate the lessor charges is known. The County's incremental borrowing rate approximates the rate the County would have to pay on a bond issuance or a lease-leaseback arrangement such as a Certificate of Participation. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease, the present value is remeasured and corresponding adjustments made. For SBITA contracts that include increases to payments related to the consumer price index (CPI) or similar indices, the available index increase is included in the present value at the commencement of the contract or upon remeasurement. Payments based on future performance are not included in the measurement of the SBITA liability but recognized as revenue or expense in the period performed. Residual value guarantees and exercise options are included in the measurement if they are reasonably certain to be paid or exercised.

Long-Term Liabilities

In the government-wide financial statements, long-term debts are reported as liabilities in the applicable statement of net position. In the governmental fund financial statements, long-term debt proceeds are reported as other financing sources. Principal and interest are reported as expenditures in the period in which the related payments are made.

Net Position

The government-wide financial statements utilize a net position presentation. Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Commission's net position is categorized as follows:

Note 1 – Summary of Significant Accounting Policies (Continued)

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation of these assets reduces the balance in this category. Debt incurred and outstanding to construct and/or acquire capital assets, net of unspent proceeds, also reduces the balance in this category.

- *Unrestricted* – This category represents the net position of the Commission that is not restricted for any project or other purpose.

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

Fund Balance Classification

In accordance with generally accepted accounting principles, the Commission implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are Nonspendable, Restricted, Committed, Assigned, and Unassigned. As of June 30, 2026, the Commission has evaluated the composition of its fund balance and reported in the following categories:

- **Committed:** resources committed through the Commission's contractual obligations of $4,464,654 for Partner/Non-Partner contracts and external grants for First 5 program expenditures for future fiscal years.

- **Unassigned:** remaining resources in the fund balance that cannot be reported in any other classification.

When both restricted and unrestricted fund balance are available for use, it is the Commission's policy to use restricted fund balance first, followed by the committed, assigned, and unassigned fund balances as they are needed.

Minimum Fund Balance Policy

The Commission approved, as part of its administrative and financial policies, to maintain a minimum fund balance by not allowing annual expenditures to exceed the beginning fund balance.

Fair Value Measurement

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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 does not have any investments that are measured using Level 3 inputs. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 1 – Summary of Significant Accounting Policies (Continued)

The Commission is a participant in the Placer County Treasurer's Pool (County Pool). The County Pool is an external investment pool, is not rated and is not registered with the Securities and Exchange Commission (SEC). The Placer County Treasurer's Review Panel is responsible for County Pool oversight. Cash on deposit in the County Pool is stated at net asset value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year end. The fair value adjustment as of June 30, 2026, decreased the Commission's investment earnings by $58,498. For further information regarding the County Pool, refer to the County of Placer's Annual Comprehensive Financial Report.

Current Governmental Accounting Standards Board (GASB) Pronouncements

The Commission adopted the following GASB Statements:

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective fiscal year ended June 30, 2026. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Effective fiscal year ended June 30, 2026, certain presentation in the Management's Discussion and Analysis and the Budgetary Comparison Schedule was revised resulting from the implementation of this Statement.

GASB Statement No. 104, *Disclosure of Certain Capital Assets,* effective fiscal year ended June 30, 2026. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The implementation of this Statement did not have a material impact on the Commission's financial statements for the fiscal year ended June 30, 2026.

Note 2 – Cash and Investments

Cash and investments shown on the statement of net position and the balance sheet represent the Commission's share of the County Treasurer's cash and investment pool. The Commission voluntarily participates in the County Treasurer's cash and investment pool. California Government Code Section 53600, et. seq., and the County investment policy authorizes the following investments: local agency bonds, U.S. Treasury securities, U.S. agency securities, mortgage backed securities, collateralized obligations, asset backed securities, bankers acceptances, commercial paper, negotiable certificates of deposit, collateralized certificates of deposit, repurchase agreements, corporate notes, mutual fund, reverse repurchase agreements, the California Local Agency Investment Fund (LAIF), Certificate of Deposit Account Registry Service, supranationals – Washington dollar denominated International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) or Inter-American Development Bank (IADB), and Local Government Investment Pools (LGIP). The County has a Treasurer's Review Panel which performs regulatory oversight for its investment pool. Investments in the pool are stated at fair value. However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Commission's position in the pool.

Note 2 – Cash and Investments (Continued)

Fair Value Measurement

Deposits and withdrawals from the County Pool are made on the basis of $1 and not fair value. Accordingly, the Commission's proportionate share of investments in the County Pool as of June 30, 2026, of $7,556,851 is reported at net asset value, which is an uncategorized input not defined as a Level 1, Level 2, or Level 3.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Commission does not have a separate investment policy, nor any other policies that address these specific types of risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2026, was 833 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission's investment in the County external investment pool is not rated.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures can be found in the County's Annual Comprehensive Financial Report, which may be obtained by contacting the County Auditor-Controller's Office at 2970 Richardson Drive, Auburn, California 95603.

Note 3 – Capital Assets

Changes in the capital assets during the fiscal year ended June 30, 2026, were as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Subscription assets	$ -	$ 41,820	$ -	$ 41,820
Less accumulated amortization:				
Subscription assets	-	(20,910)	-	(20,910)
Total capital assets, net	$ -	$ 20,910	$ -	$ 20,910

Note 4 – Long-Term Liabilities

The Commission entered into a SBITA (as lessee) with a third party for a software subscription with annual required payments. As the interest rate implicit to the Commission's SBITA is not readily determined, the Commission utilizes Placer County's incremental borrowing rate to discount the SBITA payments. For the fiscal year ended June 30, 2026, the Commission recognized $20,583 in SBITA principal expenditure and $1,017 in SBITA interest expenditure.

Changes in the Commission's long-term liabilities during the fiscal year ended June 30, 2026, were as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026	Amounts Due Within One Year
SBITA	$ -	$ 41,820	$ (20,583)	$ 21,237	$ 21,237

The following table presents the SBITA liability principal and interest requirements to maturity as of June 30, 2026:

Fiscal Year Ending June 30,	Principal	Interest
2027	$ 21,237	$ 363

Note 5 – Related Party Transactions

During the year ended June 30, 2026, the Commission paid the Placer County Office of Education, a related party, $861,715 for the following: $827,099 for accounting, administrative, program, and evaluation services and $34,616 for programmatic partner services related to early childhood education services.

Note 5 – Related Party Transactions (Continued)

The Commission also paid the County of Placer $17,725 for the following: $12,560 to the Auditor-Controller's Office for accounting and financial statements preparation services; and $5,165 to County Counsel for legal services. The Commission has outstanding accounts payable totaling $1,801 at fiscal year-end due to related parties within the accounts payable balance of $441,653.

The Commission members abstain from voting on contracts awarded to their organizations. The following table summarizes the total expenditures incurred for each of the organizations as noted above.

Organization	Amount
Placer County - Office of Education	$ 861,715
Placer County - Auditor-Controller	12,560
Placer County - County Counsel	5,165
Total	$ 879,440

Note 6 – 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 insurance carriers for both general liability and workers' compensation coverage. There have been no claims or losses in excess of insurance coverage in the past three years.

Note 7 – Contingencies

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, to fund programs that promote, support, and improve the early development of children from prenatal through age five. The Commission also received funding from the State of California Proposition 56, an additional tax on tobacco products. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures, which may be disallowed by the State cannot be determined at this time, although the Commission's management does not expect such amounts, if any, to be material.

Note 8 – Program Evaluation

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties. For the year ended June 30, 2026, the Commission expended $133,852 for program evaluation.

Required Supplementary Information

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FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget Over (Under)	Actual	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues					
Proposition 10 apportionment	$ 2,313,179	$ 1,864,690	$ (448,489)	$ 1,448,750	$ (415,940)
Proposition 56 apportionment	-	-	-	532,851	532,851
Intergovernmental grants	2,068,365	2,220,501	152,136	1,787,976	(432,525)
Investment earnings (loss)	54,577	160,000	105,423	245,658	85,658
Miscellaneous	-	-	-	350	350
Total revenues	4,436,121	4,245,191	(190,930)	4,015,585	(229,606)
Expenditures					
Current:					
Professional and specialized services	3,367,262	3,907,359	540,097	2,950,365	(956,994)
Services and supplies	1,014,036	931,655	(82,381)	840,241	(91,414)
Debt Service:					
Principal	21,600	21,600	-	20,583	(1,017)
Interest	-	-	-	1,017	1,017
Capital outlay	-	-	-	41,820	41,820
Total expenditures	4,402,898	4,860,614	457,716	3,854,026	(1,006,588)
Other Financing Sources (Uses)					
SBITA issued (as lessee)	-	-	-	41,820	41,820
Net change in fund balance*	$ 33,223	$ (615,423)	$ (648,646)	203,379	$ 818,802
Fund balance - beginning of year				6,705,547	
Fund balance - end of year				$ 6,908,926	

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Required Supplementary Information
Notes to Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2026

Note 1 - Budget and Budgetary Reporting

The Commission is required to prepare a budget each year based on estimated revenues and expenditures. The budget is adopted by the Commission Board on or before July 1 on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the fund level. All changes to the budget during the year are reflected in these financial statements and require the approval of the Board of Commissioners. All unencumbered annual appropriations lapse at the end of each fiscal year.

Note 2 – Actual Budget Results

Budgetary Revenues

Differences – original budget to final budget

- The original budget for Proposition 10 apportionment revenue was amended and decreased by $448,489 due to revised revenue projections provided by the State of California.

- The original budget for intergovernmental grants revenue was amended and increased by $152,136 due to grant funds approved and received after the original budget was adopted.

- The original budget for investment earnings was amended and increased by $105,423 to better reflect anticipated revenues.

Differences – final budget to actual

- The net actual amount for Proposition 10 apportionment and Proposition 56 apportionment revenues was over final budgeted amount by $116,911 because the budget for Proposition 56 apportionment revenue was included in the Proposition 10 apportionment budgeted amount, and the actual receipt was higher than anticipated projections provided by the State.

- Actual amount of intergovernmental grants revenue was under final budgeted amount by $432,525 because the final budget inadvertently included budgeted revenues that were received in the prior year.

- Actual amount of investment earnings exceeded budgeted amount of $85,658 as the Commission earned higher interest rates than expected.

Budgetary Expenditures

Differences – original budget to final budget

- The original budget for professional and specialized services was amended and increased by $540,097 due to grant revenue for current year and carried over from the prior year that allowed for contracts to be issued.

- The original budget for services and supplies was amended and decreased by $82,381 to better reflect anticipated actual expenditures.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Required Supplementary Information
Notes to Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2026

Note 2 – Actual Budget Results (Continued)

Differences – final budget to actual

- Actual amount of professional and specialized services expenditure was under final budgeted amount by $956,994 due to awarded grants being gradually spent down.

- Actual amount of services and supplies expenditure was under final budgeted amount by $91,414 due to delayed spending in some grants and the Commission is watchful of its spending.

- Actual amount of principal expenditure was under final budgeted amount by $1,017 as the Commission did not separately budget debt service interest expenditure, which resulted in interest expenditure exceeding final budgeted amount.

- Actual amount for capital outlay expenditure and other financing source for SBITA issued exceeded final budgeted amounts by $41,820 because the Commission does not budget for these financial statement line items as they pertain to financial reporting purposes only.

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Other Reports

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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 Placer Children and Families Commission
Rocklin, 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 the general fund of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, California (the County), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 30, 2026.

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 the 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 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*.

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To the Board of Commissioners
First 5 Placer Children and Families Commission
Rocklin, California

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.

LSL, LLP

Sacramento, California
September 30, 2026

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Commissioners
First 5 Placer Children and Families Commission
Rocklin, California

Report on Compliance

Opinion on State Compliance

We have audited the First 5 Placer Children and Families Commission's (the Commission), a component unit of the County of Placer, California (the County), 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, 2026.

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, 2026.

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 (Government Auditing Standards)* issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with 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.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the 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 State of California's *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 considered 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 control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Costs Conflict-of-Interest	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-Range Financial Plan	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	No*

To the Board of Commissioners
First 5 Placer Children and Families Commission
Rocklin, California

*The Commission contracts with the Placer County Office of Education and County of Placer Health and Human Services Department, as appropriate, for full time staff support. Since the Commission does not have any employees, testing a representative sample of salary and benefit transactions was not applicable.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Internal Control over Compliance

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

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

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

The purpose of this report is solely to describe the scope of our testing of internal controls and 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, the communication is not suitable for any other purpose.

LSL, LLP

Sacramento, California
September 30, 2026