

**FIRST 5 PLACER  
CHILDREN AND FAMILIES COMMISSION  
(A Component Unit of the  
County of Placer, California)**

Independent Auditors' Reports, Financial Statements, and  
Required Supplementary Information

For the Fiscal Year Ended June 30, 2022



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**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
First 5 Placer Children and Families Commission  
Auburn, 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 First 5 Placer Children and Families Commission (Commission), a component unit of the County of Placer, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise 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 general fund of First 5 Placer Children and Families Commission, as of June 30, 2022, and the respective changes in financial position thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of First 5 Placer Children and Families 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 First 5 Placer Children and Families Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of First 5 Placer Children and Families 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 First 5 Placer Children and Families 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, 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 GAAS, 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**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022, on our consideration of First 5 Placer Children and Families 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 First 5 Placer Children and Families 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 First 5 Placer Children and Families Commission’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Roseville, California  
October 14, 2022

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

This Management's Discussion and Analysis is intended to serve as a narrative overview of the financial activities of First 5 Placer Children and Families Commission (Commission) for the year ended June 30, 2022. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 10).

#### *Fiscal Year 2022 Financial Highlights*

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by approximately \$7.1 million at the close of the most recent fiscal year. The Commission's net position decreased by \$212,310 for the fiscal year ended June 30, 2022, compared to the prior year due to lower than expected tobacco tax, grant and intergovernmental revenues, and investment loss. The most significant portion of the Commission's net position is its cash and investment in the County treasury of approximately \$7.1 million. Investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net position also resides in the Commission's receivables due from the State Commission for Proposition 10 taxes and other grant and intergovernmental revenues in the amount of \$481,410. The Commission also reports accounts payable of \$454,123 representing payments due on grant service contracts that had not been paid at year-end.

Total revenues for the fiscal year ended 2021-2022 totaled \$3,435,282, an increase of \$93,928 or 2.8% from the prior year total of \$3,341,354. The increase was due to the increase in grants and intergovernmental revenue offset by the decrease in proposition 10 revenue and fair value investment loss.

Total expenses for fiscal year ended 2022 were \$3,647,592, an increase of \$632,802 or 21.0% from the prior year total of \$3,014,790. The increase was mainly due to increase in program expenses, which correlated with the increase in total revenues.

Total expenses include approximately \$3,186,208 in program expenses, \$183,346 in evaluation expenses, and \$278,038 in administrative expenses (compared to \$2,549,604, \$174,463, and \$290,723, respectively for the fiscal year ended 2021). Expenses, while increased from last year, were still below budget. These increases can be attributed to more spending in programs, especially grant-funded programs. This fiscal year was the sixth year of funding under the Commission's 2016-2023 Strategic Plan. Evaluation expenses were \$183,346, representing 5% of all expenses. Program expenses of \$3,186,208 represented 87% of total expenses. The administrative costs of \$278,038 made up 8% of total expenses or 6% of the total budget, which falls well below the 14% administrative cost limit set by the Commission through its administrative cost limit policy.

The fiscal year ended June 30, 2022, included greater financial activity than in prior years. This was due to several reasons. This was the first full year of contracts under the funding cycle that began January 1, 2021, aligned with its Strategic Plan. On the revenue side, tobacco tax revenues (from Proposition 10 and Proposition 56) were slightly lower, but that was offset by five grants which brought in \$960,328 in revenue to be spent on programs. Additionally, the Commission received \$140,632 for reimbursement of Medi-Cal Administrative activities, some of which was used to support child abuse prevention. The investment fair value adjustment of \$198,917 also negatively impacted the fund balance.

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2022

### ***Overview of the Financial Statements***

The Commission's financial report includes:

- 1) The basic financial statements, which include the government-wide financial statements and the fund financial statements
- 2) Notes to the basic financial statements
- 3) Required supplementary information

***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 information on all of the Commission's assets and liabilities with the difference 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*.

The government-wide financial statements can be found on pages 10 and 11 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, 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 term fund balance is used to describe the difference between assets and liabilities. However, in governmental funds, fund balance is more of a measure of liquidity than of net position, because governmental funds report only current financial assets, not illiquid assets such as the value of buildings. However, it is not strictly a measure of liquidity, because some of the assets reported may be inherently non-spendable, such as supplies inventories. Consequently, a good definition of fund balance for governmental funds is all financial assets less liabilities normally expected to be liquidated with current financial resources.

The fund financial statements can be found on pages 12 and 13 of this report.

***Notes to the Basic Financial Statements.*** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 – 20 of this report.

The Commission adopts an annual appropriated budget for the general fund. A budgetary comparison schedule is presented for the general fund to demonstrate compliance with the annual budget.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2022

The following is a summary of the Commission's Statement of Net Position comparing balances as of June 30, 2022 and June 30, 2021:

	Governmental Activities		Increase / (Decrease)	
	2022	2021	Dollar Change	Percent Change
<b>Assets</b>				
Current assets	<u>\$ 7,526,573</u>	<u>\$ 7,588,573</u>	<u>\$ (62,000)</u>	<u>-0.8%</u>
<b>Liabilities</b>				
Current liabilities	<u>454,123</u>	<u>303,813</u>	<u>150,310</u>	<u>49.5%</u>
<b>Net Position</b>				
Unrestricted	<u>\$ 7,072,450</u>	<u>\$ 7,284,760</u>	<u>\$ (212,310)</u>	<u>-2.9%</u>

The Commission's net position from governmental activities decreased from \$7,284,760 as of fiscal year ended 2021 to \$7,072,450 as of June 30, 2022. The \$212,310 or 2.9% decrease in net position was due to lower than expected tobacco tax, grant and intergovernmental revenues, and investment loss. The Commission's Long Range Financial Plan includes a plan for sustainability which projects supplementing declining tobacco tax revenues with existing net position to buffer steep declines in investments in the community.

Current liabilities as of June 30, 2022, increased by \$150,310 from the prior year due to the timing of contract payments. The increase in accounts payable correlates to the increased grant funding received and resultant expenditures.

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

### Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2022

The following is a summary of the Commission's revenue, expense and change in net position comparing fiscal year ended 2021-2022 with fiscal year 2020-2021:

	Governmental Activities		Increase / (Decrease)	
	2022	2021	Dollar Change	Percent Change
<b>Program Revenues:</b>				
Proposition 10	\$ 1,891,830	\$ 2,016,736	\$ (124,906)	-6.2%
Proposition 56	634,059	605,826	28,233	4.7%
Grant and intergovernmental	1,100,961	729,054	371,907	51.0%
<b>General Revenues:</b>				
Investment earnings (loss)	(191,568)	(10,262)	(181,306)	1766.8%
Total Revenues	<u>3,435,282</u>	<u>3,341,354</u>	<u>93,928</u>	<u>2.8%</u>
<b>Program Expenses:</b>				
Children and family services				
Professional and specialized services	3,028,709	2,408,119	620,590	25.8%
Services and supplies	618,883	606,671	12,212	2.0%
Total expenses	<u>3,647,592</u>	<u>3,014,790</u>	<u>632,802</u>	<u>21.0%</u>
Change in net position	(212,310)	326,564	(538,874)	-165.0%
Net position, beginning of year	7,284,760	6,958,196	326,564	4.7%
Net position, end of year	<u>\$ 7,072,450</u>	<u>\$ 7,284,760</u>	<u>\$ (212,310)</u>	<u>-2.9%</u>

Overall tobacco tax revenues decreased by \$96,673 compared to 2021; Proposition 10 revenues decreased by \$124,906 or 6.2% and Proposition 56 revenues increased by \$28,233 or 4.7% compared to the prior year. This slight decrease was due to lower tobacco tax collections by the State. Grant and intergovernmental revenue increased by \$371,907 or 51.0% compared to the prior year due to the Commission's award of five grants which brought in \$960,328 in revenue to be spent on programs.

Total expenses increased by \$632,802 or 21.0% compared to the prior year due to additional revenues received and spent on grant-related programs.

### ***Financial Analysis of the General Fund***

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For our purposes, the General fund analysis and Government-wide analysis show no differences because the Commission operates within one governmental fund and does not have capital assets, long-term liabilities, deferred balances related to pension, OPEB, or compensated absences, and meets the availability period related to receivables. The Commission has evaluated the composition of its fund balance and has reported in two categories. The portion of the fund balance reported as Committed reflects the Commission's contractual obligations for the fiscal year ending 2022/2023.

### ***General Fund Budgetary Highlights***

In June of 2021, the State First 5 California Children and Families Commission revised revenue estimates based on projections from the Department of Finance to reflect legislated changes. Total revenues for fiscal year 2021/2022 were \$519,614 lower than projected which was attributed to lower than expected Proposition 10 and Proposition 56 allocations in total made by the State and grant-related reimbursement of actual expenditures, and unexpected investment loss. Total expenditures were under budget by 19% or \$872,628. Savings were achieved across all categories and was attributed to the Commission's financial

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2022

management practices and promotion of sustainability and stewardship. Grant-related program expenditures were billed on a reimbursable basis, thus not fully expended. Post-COVID19 pandemic related personnel challenges impacted funded-partners' abilities to fully expend budgets.

### *Economic Factors and Next Year's Budget*

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 taxation. It is expected that the cumulative effect of these activities will result in continued declines. The fees imposed on First 5 by the California Department of Tax and Fee Administration (CDTFA) - and previously, the Board of Equalization - have increased significantly over the years as a proportion of tax receipts. The First 5 Association contracted with an independent auditor to review those fees and assumptions made by the CDTFA; together, these parties have established transparent reporting, have understood administrative fee calculations and established a regular fee schedule. This will help with better forecasting of both revenues and fees.

The Governor released the FY 2021/22 May Revision to the Governor's Budget on May 14, 2021. Upon release, First 5 California obtained updated General Fund projections from the Department of Finance (DOF). Using the information provided by DOF, First 5 California updated the revenue projections for the California Children and Families Trust Fund and subsequent allocations of the counties' share of tobacco tax revenue. On August 28, 2020, Governor Newsom signed SB 793 (Hill) which banned the sale of flavored tobacco products. In January 2021, a referendum placed SB 793 on hold and qualified it for the November 2022 ballot. As a result, projections provided by DOF include both no flavor ban and flavor ban impact. The impact of a flavor ban on revenues would be substantial – about a 15% decline over 4 years, beginning in FY 2022/23. For planning purposes, First 5 Placer uses the most conservative revenue estimates.

The Commission's current Strategic Plan for 2016-2023, has a more narrowed focus in response to significant projected declines of 22% over 5 years in tobacco tax revenues. The Commission's Long Range Financial Plan (see page 8) 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. The Commission received a \$412,000 grant benefitting our County's Family Resource Centers. Additionally, the Commission has leveraged its own dollars and \$528,000 in grant funding in its work with partners including Head Start, non-profit agencies, and the County to blend funding streams such as CalWORKS Home Visiting, the Office of Child Abuse Prevention's Road to Resilience, First 5 California and First 5 Placer dollars to support a coordinated, integrated home visiting system. These are examples of how the Commission fills in the gaps of a larger system to improve overall outcomes for children.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

Management’s Discussion and Analysis (Continued)  
For the Fiscal Year Ended June 30, 2022

Annually, the Commission updates and adopts its Long-Range Financial Plan. This plan creates 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, stable, 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, and changes in assumptions, such as revenue projections and is intended to be used as a planning tool. Fiscal years 22/23 through 23/24 include most current approved budgeted expenditures through the current strategic plan. Revenues through FY 2024/25 are based on the most current state projections (6/9/2021) for Proposition 10 revenues with a flavor ban on tobacco products taking effect in FY 2022/23. If the ban does not take effect, revenue projections will be higher. Interest earnings are projected at .5% of fund balance.

Forecasts for FY 2024/25 and beyond are highly presumptive, illustrating potential scenarios for program, administrative and evaluation allocations. Revenues are based on the most current state projections (6/2021) through FY 2024/25, with a projected annual birth share of .8% and an annual 4% decline in subsequent years. Annual budgets are framed within minimum fund balance policy such that annual expenditures do not exceed the sustainability fund balance, and administrative expenses stay within the 14% administrative cost limit.

**Financial Planning for Sustainability - Long Range Financial Plan (Dollars in Millions)**

Fiscal Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Revenues</b>										
Annual Tobacco Tax	2.376	2.169	2.173	2.140	1.757	1.687	1.620	1.555	1.493	1.433
Interest Earnings	0.035	0.031	0.027	0.025	0.024	0.020	0.017	0.012	0.008	0.000
SMIF & Other Funding	0.493	0.379	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Subtotal Revenue	2.904	2.579	2.201	2.167	1.782	1.708	1.637	1.568	1.501	1.434
<b>Expenses</b>										
Programs	2.836	2.602	2.000	2.000	2.000	2.000	2.000	2.000	1.200	1.200
Administration	0.709	0.715	0.380	0.380	0.380	0.380	0.380	0.380	0.240	0.240
Evaluation	0.173	0.160	0.100	0.100	0.100	0.100	0.100	0.100	0.070	0.070
Subtotal Expenses	3.718	3.477	2.480	2.480	2.480	2.480	2.480	2.480	1.510	1.510
<b>Planning For Sustainability</b>										
Beginning Fund Balance	7.085	6.271	5.373	5.094	4.780	4.083	3.311	2.468	1.556	1.548
Net Change in Fund Balance	-0.814	-0.899	-0.279	-0.313	-0.698	-0.772	-0.843	-0.912	-0.009	-0.076
Ending Fund Balance	6.271	5.373	5.094	4.780	4.083	3.311	2.468	1.556	1.548	1.472

**Requests for Information**

This financial report is designed to provide a general overview of the First 5 Placer Children and Families Commission 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 First 5 Placer Children and Families Commission, 1229 Pleasant Grove Blvd., Roseville, CA 95678.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

**Statement of Net Position**

**June 30, 2022**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investment in County treasury	\$ 7,045,163
Due from other agencies	481,410
Total assets	<u>7,526,573</u>
<b>Liabilities</b>	
Accounts payable	454,123
<b>Net Position</b>	
Unrestricted	<u>\$ 7,072,450</u>

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

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2022**

<u>Govnermental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Child Development	<u>\$ 3,647,592</u>	<u>\$ 3,626,850</u>	<u>\$ (20,742)</u>
General revenues			
Investment earnings (loss)			<u>(191,568)</u>
Change in net position			(212,310)
Net position - beginning of year			<u>7,284,760</u>
Net position - end of year			<u>\$ 7,072,450</u>

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

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

**Balance Sheet - General Fund**

**June 30, 2022**

**Assets**

Cash and investment in County treasury	\$	7,045,163
Due from other agencies		481,410
Total assets		<u>7,526,573</u>

**Liabilities and Fund Balance**

Liabilities:

Accounts payable		<u>454,123</u>
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Fund balance:

Committed for contractual obligations		5,092,120
Unassigned		<u>1,980,331</u>

Total fund balance		<u>7,072,450</u>
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Total liabilities and fund balance	\$	<u>7,526,573</u>
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The accompanying notes are an integral part of these financial statements.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund  
For the Fiscal Year Ended June 30, 2022**

**Revenues**

Proposition 10 apportionment	\$	1,891,831
Proposition 56 apportionment		634,059
Grants and intergovernmental		1,100,961
Investment earnings (loss)		<u>(191,568)</u>
Total revenues		<u>3,435,282</u>

**Expenditures**

Current:

Professional and specialized services		3,028,709
Services and supplies		<u>618,883</u>
Total expenditures		<u>3,647,592</u>

Net change in fund balance		(212,310)
Fund balance - beginning of year		<u>7,284,760</u>
Fund balance - end of year	\$	<u><u>7,072,450</u></u>

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

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022

### Note 1: Summary of Significant Accounting Policies

#### A. 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 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 Commission membership is guided by Health and Safety Code Section 130140 (A). Commissioners serve three-year terms. 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.

#### B. 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.

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2022

### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. **Basis of Presentation and Accounting** (Continued)

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.

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.

##### *Net Position*

The government-wide financial statements utilize a net position presentation. The Commission's net position is classified as follows:

**Unrestricted:** This category represents the net position of the Commission, 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.

# FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2022

## Note 1: Summary of Significant Accounting Policies (Continued)

### B. Basis of Presentation and Accounting (Continued)

#### *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, discussed in more detail below, are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable:** portion of net resources that cannot be spent because they are not in an expendable form (e.g., Prepaid Expenditure or Inventory), or portion of net resources that cannot be spent because they must be maintained intact (e.g., revolving fund or the principal of an endowment).
- **Restricted:** amounts or limitations constrained to specific purposes by their providers (such as creditors, grantors, contributors, or laws and regulations of other governments – e.g., funds granted by First 5 California under specific agreements for services such as matching funds for specific initiatives).
- **Committed:** limitation imposed at the highest level of decision-making that require the same formal action to remove or modify. The highest level of decision-making authority is the appointed Commissioners, and the agenda item is the formal action used to commit fund balance, which would include a vote to commit the funds for a specified purpose.
- **Assigned:** amounts or limitations are constrained by the Commission’s intent to be used for a specific purpose. The Commission’s Board is responsible for assigning fund balance through a formal action by an agenda item; however, the Executive Director has the authority to remove the assignment.
- **Unassigned:** resources in the fund balance that cannot be reported in any other classification or negative fund balance.

The Commission has evaluated the composition of its fund balance and has reported in the following categories:

- **Committed:** resources committed through the Commission’s contractual obligations of \$5,092,120 for Partner/non-Partner contracts and external grants for First 5 program expenditures for fiscal year 2022/2023.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, followed by the committed, assigned, and unassigned resources 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 beginning fund balance.

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2022

### Note 1: Summary of Significant Accounting Policies (Continued)

#### C. 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.

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 Exchange Commission (SEC). The Placer County Treasurer's Review Panel conducts 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, 2022 decreased the Commission's investment earnings by \$198,917. For further information regarding the County Pool, refer to the County of Placer Annual Comprehensive Financial Report.

#### D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 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, repurchase agreements, reverse repurchase agreements, corporate notes, money market mutual funds and the California Local Agency Investment Fund (LAIF). The County has an investment committee, 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.

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2022

### 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, 2022 of \$7,045,163 is reported at net asset value, which is an uncategorized input not defined as a Level 1, Level 2, or Level 3.

The County Treasurer's cash and investment pool is not registered with the SEC. The County's Treasury Review Panel is charged with overseeing activity in the pool for compliance and code requirements.

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 that 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, 2022 was 536 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, CA 95603.

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2022

**Note 3: Related Party Transactions**

During the year ended June 30, 2022, the Commission paid the Placer County Office of Education, a related party, \$832,805 for the following: \$592,245 for accounting, administrative, program, and evaluation services; \$240,560 for programmatic partner services related to early childhood education services.

The Commission also paid the County of Placer, a related party, \$254,594 for the following: \$233,782 to Health and Human Services for Oral Health, Child Abuse Prevention Coordination, and overhead charges; \$15,891 to the Auditor-Controller’s Office for accounting and external audit services; and \$4,921 to County Counsel for legal services. The Commission has outstanding accounts payables totaling \$79,786 at fiscal year-end due to related parties within the accounts payable balance of \$454,123.

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

<u>Organization</u>	<u>Amount Paid</u>
Placer County - Office of Education	\$ 832,805
Placer County - Health and Human Services	233,782
Placer County - Auditor-Controller	15,891
Placer County - County Counsel	4,921
Total	<u>\$ 1,087,399</u>

**Note 4: 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 5: 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. The COVID-19 Pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Commission, COVID-19 may impact tobacco sales, and thus revenues and post COVID-19 hiring issues may impact the funded-partners’ ability to fully expend contracts. Management believes the Commission is taking appropriate action to mitigate the negative impact, however, the full impact continues to be unknown and cannot be reasonably estimated as these events are still on-going.

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2022

Note 6: **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, 2022, the Commission expended \$183,346 for program evaluation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Proposition 10 apportionment	\$ 2,604,000	\$ 2,604,000	\$ 1,891,831	\$ (712,169)
Proposition 56 apportionment <sup>(1)</sup>	-	-	634,059	634,059
Grants and intergovernmental	1,289,396	1,314,896	1,100,961	(213,935)
Investment earnings (loss)	36,000	36,000	(191,568)	(227,568)
Total revenues	3,929,396	3,954,896	3,435,282	(519,614)
<b>Expenditures</b>				
Current:				
Professional and specialized services	3,522,657	3,757,399	3,028,709	728,690
Services and supplies	762,821	762,821	618,883	143,938
Total expenditures	4,285,478	4,520,220	3,647,592	872,628
Net change in fund balance	<u>\$ (356,082)</u>	<u>\$ (565,324)</u>	<u>(212,310)</u>	<u>\$ 353,014</u>
Fund balance - beginning of year			7,284,760	
Fund balance - end of year			<u>\$ 7,072,450</u>	

<sup>(1)</sup> The original and final budget amounts for Proposition 56 apportionment are included in the Proposition 10 apportionment budgeted figures.

The accompanying note is an integral part of this schedule.

## FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Note to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2022

### **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.

## **OTHER REPORTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
First 5 Placer Children and Families Commission  
Auburn, 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 First 5 Placer Children and Families Commission (Commission), a component unit of the County of Placer, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 14, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements we considered the Commission's internal control over financial reporting (internal control) 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 Commission'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 have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Roseville, California  
October 14, 2022



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### **Report on Compliance** **Opinion on State Compliance**

We have audited First 5 Placer Children and Families Commission's (Commission), a component unit of the County of Placer, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2022.

### **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 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 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 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*, issued by the State Controller’s Office will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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 *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.
-

Board of Commissioners  
 First 5 Placer Children and Families Commission

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

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

\*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 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.

Board of Commissioners  
First 5 Placer Children and Families Commission

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 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Roseville, California  
October 14, 2022



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