



October 3, 2025

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

We have audited the financial statements of the governmental activities and the general fund of First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, California (the County), for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2025. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates noted for the year ended June 30, 2025.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.



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

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 3, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules for the General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



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

Future GASB Pronouncements and Projects

The following Government Accounting Standards Board (GASB) pronouncements will be effective in the next fiscal year's audit and should be reviewed for proper implementation by management:

GASB Statement No. 103, *Financial Reporting Model Improvements*.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

The following are Government Accounting Standards Board (GASB) projects that are ongoing and will be implemented as applicable in future fiscal years.

Comprehensive Project, *Revenue and Expense Recognition*.

Major Project, *Going Concern Uncertainties and Severe Financial Stress*.

Major Project, *Infrastructure Assets*.

Practice Issue, *Subsequent Events*.

Restriction on Use

This information is intended solely for the information and use of Board and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

LSL, LLP
LSL, LLP



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

SUMMARY OF AUDIT DIFFERENCES
First 5 Placer Children and Families Commission
Year Ended June 30, 2025

	Current Year over (under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
Unadjusted audit differences:	
Estimate of 4 th quarter accrual for CECET revenue	<u>\$ (2,821)</u>
Cumulative effect (before effect of prior year differences)	(2,821)
Effect of unadjusted audit differences—prior year:	-
Cumulative effect (after effect of prior year differences)	<u><u>\$ (2,821)</u></u>



**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, 2025

Focused
on YOU



FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

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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 (the Commission), a component unit of the Placer County (the County) as of and for the year ended June 30, 2025, 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 general fund of the Commission as of June 30, 2025, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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* 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 have also issued our report dated October 03, 2025, 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 those reports 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. Those reports are an integral part of an audit performed in accordance with *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 considering Commission's internal control over financial reporting and compliance.

LSL, LLP

Sacramento, California
October 3, 2025

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

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 (the Commission) for the year ended June 30, 2025. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 11).

Fiscal Year 2025 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 \$6.7 million at the close of the most recent fiscal year. The Commission's net position increased by \$261,101 for the fiscal year ended June 30, 2025, compared to the prior year. The increase was mainly due to the increase in grant and intergovernmental revenues resulting from several new external State and Federal grant awards: Road to Resilience from the Office of Child Abuse Prevention, California Department of Social Services; and two grants from the California Youth and Behavioral Health Initiative (CYBHI) through the Department of Health Care Services. The most significant portion of the Commission's net position is its cash and investment in the County treasury of approximately \$7.0 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 monthly. Another source of net position resides in the Commission's receivables due from the State for Proposition 10 taxes and other grant and intergovernmental revenues of \$899,207. The Commission also reports accounts payable of \$768,214 mainly comprised of expenditures incurred on grant service contracts that had not been paid at year-end and a payable to the State totaling \$374,907 for a Proposition 10 overpayment for the month of May 2025. Lastly, the Commission reports unearned revenue of \$466,126 related to advance grant funding received.

Total revenues for the fiscal year ended 2024-2025 were \$3,528,577, an increase of \$122,884 or 4% from the prior year total of \$3,405,693. The increase was mainly due to increases in grant and intergovernmental revenue of \$270,789 or 31% and the increase in investment earnings of \$53,838 or 17%, offset by the decrease in Proposition 10 revenue of \$188,904 or 12%. The increase in grant and intergovernmental revenue was due to receiving three new grants mentioned in the previous paragraph. The increase in investment earnings was due to strong investment performance in the fiscal year 2025. The decrease in Proposition 10 revenue was due to the decrease in tobacco-related products tax revenue from the California Department of Tax and Fee Administration. Proposition 10 revenue is projected to decrease due to a voter-approved ban on flavored tobacco.

Total expenses for fiscal year ended 2024-2025 were \$3,267,476, a decrease of \$531,914 or 14% from the prior year total of \$3,799,390. The decrease was mainly due to delays in startups for new partner contracts this year through Proposition 10 funding and also contracting and implementation delays with the three new grants mentioned above.

Total expenses for the fiscal year ended 2025 included \$2,856,882 in program expenses, \$127,700 in evaluation expenses, and \$282,894 in administrative expenses compared to \$3,327,524, \$178,847, and \$293,019, respectively, for the fiscal year ended 2024. Expenses decreased from last year and were below budget. The decrease in program expenses was attributed to the contracting and startup delays mentioned in the previous paragraph. This fiscal year was the second year of funding under the Commission's 2024-2030 Strategic Plan. Evaluation expenses were \$127,700, representing 4% of total expenses. Program expenses of \$2,856,882 represented 87% of total expenses. The administrative costs of \$282,894 made up 9% of total expenses or 7% of the total final budget expenditure, which falls well below the 14% administrative cost limit set by the Commission through its administrative cost limit policy.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

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 11 and 12 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 supply 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 13 and 14 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 15 – 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 For the Fiscal Year Ended June 30, 2025

The following is a summary of the Commission's statement of net position comparing balances as of June 30, 2025, and June 30, 2024:

Statement of Net Position

	Governmental Activities		Increase / (Decrease)	
	2025	2024	Dollar Change	Percentage Change
Assets				
Current assets	\$ 7,939,887	\$ 6,977,825	\$ 962,062	14%
Liabilities				
Current liabilities	1,234,340	533,379	700,961	131%
Net Position				
Unrestricted	\$ 6,705,547	\$ 6,444,446	\$ 261,101	4%

The Commission's net position from governmental activities increased from \$6,444,446 as of fiscal year ended 2024 to \$6,705,547 as of June 30, 2025. The \$261,101 or 4% increase in net position was mainly due to the increase in grant and intergovernmental revenue, offset by the decrease in Proposition 10 revenue, and compounded by a decrease in professional and specialized services expenses. 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, 2025, increased by \$700,961 or 131% from the prior year due to the timing of contract payments and a payable to the State related to Proposition 10 revenue, which was overpaid by the State for May 2025. In addition, unearned revenue increased by \$466,126 in fiscal year ended 2025 due to the Commission's receipt of grant funding from the CYBHI, which was not fully spent in fiscal year ended 2025.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

The following is a summary of the Commission's statement of activities comparing fiscal year ended 2024-2025 with the fiscal year ended 2023-2024:

Statement of Activities				
	Governmental Activities		Increase / (Decrease)	
	2025	2024	Dollar Change	Percentage Change
Program Revenues:				
Proposition 10	\$ 1,414,443	\$ 1,603,347	\$ (188,904)	-12%
Proposition 56	603,569	616,408	(12,839)	-2%
Grant and intergovernmental	1,137,080	866,291	270,789	31%
General Revenues:				
Investment earnings (loss)	373,485	319,647	53,838	17%
Total Revenues	<u>3,528,577</u>	<u>3,405,693</u>	<u>122,884</u>	4%
Program Expenses:				
Children and family services				
Professional and specialized services	2,317,269	2,999,119	(681,850)	-23%
Services and supplies	<u>950,207</u>	<u>800,271</u>	<u>149,936</u>	19%
Total expenses	<u>3,267,476</u>	<u>3,799,390</u>	<u>(531,914)</u>	-14%
Change in net position	261,101	(393,697)	654,798	166%
Net position, beginning of year	<u>6,444,446</u>	<u>6,838,143</u>	<u>(393,697)</u>	-6%
Net position, end of year	<u>\$ 6,705,547</u>	<u>\$ 6,444,446</u>	<u>\$ 261,101</u>	4%

Overall tobacco tax revenues decreased by \$201,743 compared to 2024; Proposition 10 revenues decreased by \$188,904 or 12%, and Proposition 56 revenues decreased by \$12,839 or 2% compared to the prior year. The overall decrease was due to lower tobacco tax collections by the State resulting from the enactment of the flavored tobacco ban. The increase in grant and intergovernmental revenue of \$270,789 or 31% compared to the prior year was due to receiving three new external grant awards in fiscal year ended 2025. The increase in investment earnings of \$53,838 or 17% was due to strong investment performance in fiscal year ended 2025 compared to the prior year.

Total expenses decreased by \$531,914 or 14% compared to the prior year mainly due to delays in startups for new partner contracts this year through Proposition 10 funding and also contracting and implementation delays with the three new grants mentioned above.

Financial Analysis of the General Fund

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 it in two categories. The portion of the fund balance reported as Committed reflects the Commission's contractual obligations for the fiscal years ending 2025-2026 and 2026-2027.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

General Fund Budgetary Highlights

In April of 2025, the State's 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 2024-2025 were \$549,049 lower than projected which was attributed to lower than expected Proposition 10 and Proposition 56 apportionments and grants and intergovernmental revenues; and offset by higher than expected investments earnings. Total expenditures were under budget by \$921,530 or 22%. Savings were achieved across all categories and was attributed to the Commission's financial management practices and promotion of sustainability and stewardship. Grant-related program expenditures were billed on a reimbursable basis, thus not fully expended.

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 taxes. In January 2023, SB 793 (Hill), which banned the sale of flavored tobacco products, went into effect. In September 2022, it was estimated that the impact of a flavor ban on revenues would be a decline of approximately 15% over 4 years, beginning in fiscal year 2022-2023. Per a State Commission presentation at its meeting in August 2025, the Commission is expected to experience a continued decline in revenues due to the flavored tobacco ban and reduced tobacco sales.

The fiscal year ended June 30, 2025 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, 2025 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.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

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 years 2025-2026 through 2026-2027 include the most current approved budgeted expenditures. Proposition 10 revenues are based on the most current state projections (April 2025) through fiscal year 2028-2029, with a projected annual birth share of 0.9% and an annual 3% decline in subsequent years. Interest earnings are projected at 1% of the fund balance.

Revenue and expenditure forecasts for fiscal year 2027-2028 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, and administrative expenses stay within the 14% administrative cost limit. The following table presents the long-range financial plan:

Financial Planning for Sustainability - Long Range Financial Plan
Dollars Expressed in Millions

Fiscal Year	2024-2030 Strategic Plan					2030-2036 Strategic Plan				
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Revenues										
Annual Tobacco Tax Allocation	\$ 1.975	\$ 1.936	\$ 1.924	\$ 1.859	\$ 1.705	\$ 1.654	\$ 1.605	\$ 1.557	\$ 1.510	\$ 1.465
Interest Earnings	0.067	0.054	0.058	0.056	0.052	0.046	0.041	0.035	0.028	0.021
Other Funding	2.384	1.041	0.050	0.050	0.050	0.030	0.030	0.030	0.030	0.030
Subtotal Revenue	4.426	3.031	2.032	1.964	1.807	1.730	1.675	1.621	1.568	1.516
Expenses										
Programs	4.042	2.481	1.300	1.300	1.300	1.200	1.200	1.200	1.200	1.200
Administration	0.745	0.855	0.897	0.942	0.989	1.000	1.000	1.000	1.000	1.000
Evaluation	0.100	0.100	0.100	0.100	0.100	0.075	0.075	0.075	0.075	0.075
Subtotal Expenses	4.887	3.436	2.297	2.342	2.389	2.275	2.275	2.275	2.275	2.275
Planning for Sustainability										
Beginning Fund Balance	6.706	6.245	5.840	5.575	5.197	4.615	4.070	3.471	2.817	2.110
Net Change in Fund Balance	(0.461)	(0.405)	(0.265)	(0.378)	(0.582)	(0.545)	(0.600)	(0.654)	(0.707)	(0.759)
Ending Fund Balance	\$ 6.245	\$ 5.840	\$ 5.575	\$ 5.197	\$ 4.615	\$ 4.070	\$ 3.471	\$ 2.817	\$ 2.110	\$ 1.351

This plan includes the working 6 year budget for 2027-2030 under the Commission's consideration in May 2024. The budget beginning 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.

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, 1400 W. Stanford Ranch Road, Rocklin, California 95765.

Basic Financial Statements

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Statement of Net Position
June 30, 2025**

	Governmental Activities
Assets	
Cash and investment in County treasury	\$ 7,040,680
Due from other governments	<u>899,207</u>
Total assets	<u>7,939,887</u>
Liabilities	
Accounts payable	768,214
Unearned revenue	<u>466,126</u>
Total liabilities	<u>1,234,340</u>
Net Position	
Unrestricted	<u>\$ 6,705,547</u>

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, 2025**

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Child Development	<u>\$ 3,267,476</u>	<u>\$ 3,155,092</u>	<u>\$ (112,384)</u>
	General revenues		
	Investment earnings (loss)		<u>373,485</u>
	Change in net position		261,101
	Net position - beginning of year		<u>6,444,446</u>
	Net position - end of year		<u>\$ 6,705,547</u>

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, 2025

Assets

Cash and investment in County treasury	\$	7,040,680
Due from other governments		899,207
Total assets	\$	<u>7,939,887</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$	768,214
Unearned revenue		466,126
Total liabilities		<u>1,234,340</u>

Fund balance:

Committed for contractual obligations		6,637,016
Unassigned		68,531
Total fund balance		<u>6,705,547</u>

Total liabilities and fund balance	\$	<u>7,939,887</u>
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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, 2025

Revenues

Proposition 10 apportionment	\$	1,414,443
Proposition 56 apportionment		603,569
Grants and intergovernmental		1,137,080
Investment earnings (loss)		373,485
Total revenues		<u>3,528,577</u>

Expenditures

Current:

Professional and specialized services	2,317,269
Services and supplies	<u>950,207</u>
Total expenditures	<u>3,267,476</u>

Net change in fund balance 261,101

Fund balance - beginning of year 6,444,446

Fund balance - end of year \$ 6,705,547

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, 2025

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 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.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

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.

Net Position

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

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, 2025, 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 \$6,637,016 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 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 the beginning fund balance.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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, 2025, increased the Commission's investment earnings by \$102,149. For further information regarding the County Pool, refer to the County of Placer Annual Comprehensive Financial Report.

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.

Current Governmental Accounting Standards Board (GASB) Pronouncement

The Commission adopted GASB Statement No. 102, *Certain Risk Disclosures*, effective fiscal year ended June 30, 2025. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The implementation of this Statement does not have an impact on the Commission's financial statements for the fiscal year ended June 30, 2025.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

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.

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, 2025, of \$7,040,680 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, 2025, was 659 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.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

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 – Related Party Transactions

During the year ended June 30, 2025, the Commission paid the Placer County Office of Education, a related party, \$915,522 for the following: \$818,615 for accounting, administrative, program, and evaluation services and \$96,907 for programmatic partner services related to early childhood education services.

The Commission also paid the County of Placer \$113,073 for the following: \$83,395 to Health and Human Services for Oral Health, Child Abuse Prevention Coordination, and overhead charges; \$22,500 to the Auditor-Controller's Office for accounting and external audit services; and \$7,178 to County Counsel for legal services. The Commission has outstanding accounts payables totaling \$27,413 at fiscal year-end due to related parties within the accounts payable balance of \$768,214.

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	\$ 915,522
Placer County - Health and Human Services	83,395
Placer County - Auditor-Controller	22,500
Placer County - County Counsel	7,178
Total	\$ 1,028,595

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.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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, 2025, the Commission expended \$127,700 for program evaluation.

Required Supplementary Information

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Proposition 10 apportionment	\$ 2,247,424	\$ 2,247,424	\$ 1,414,443	\$ (832,981)
Proposition 56 apportionment ⁽¹⁾	-	-	603,569	603,569
Grants and intergovernmental	1,297,041	1,774,941	1,137,080	(637,861)
Investment earnings (loss)	55,261	55,261	373,485	318,224
Total revenues	3,599,726	4,077,626	3,528,577	(549,049)
Expenditures				
Current:				
Professional and specialized services	2,454,054	3,163,728	2,317,269	846,459
Services and supplies	973,803	1,025,278	950,207	75,071
Total expenditures	3,427,857	4,189,006	3,267,476	921,530
Net change in fund balance	\$ 171,869	\$ (111,380)	261,101	\$ 372,481
Fund balance - beginning of year			6,444,446	
Fund balance - end of year			\$ 6,705,547	

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

The note to the required supplementary information 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, 2025

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

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, 2025, 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 3, 2025

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*.



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
October 3, 2025



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, 2025.

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, 2025.

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.



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

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
October 3, 2025