

**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, 2023



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**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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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, 2023, 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, 2023, 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 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.

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 the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information, 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 13, 2023, on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
October 13, 2023

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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, 2023. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 10).

Fiscal Year 2023 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 \$6.8 million at the close of the most recent fiscal year. The Commission's net position decreased by \$234,307 for the fiscal year ended June 30, 2023, compared to the prior year due to expenditures exceeding revenues. Initially, it was expected that the decrease would be approximately \$814,000, but expenditures were less than anticipated. The most significant portion of the Commission's net position is its cash and investment in the County treasury of approximately \$6.6 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 resides in the Commission's receivables due from the State for Proposition 10 taxes and other grant and intergovernmental revenues in the amount of \$615,035. The Commission also reports accounts payable of \$413,773 representing payments due on grant service contracts that had not been paid at year-end.

Total revenues for the fiscal year ended 2022-2023 totaled \$3,191,014, a decrease of \$244,268 or 7% from the prior year total of \$3,435,282. The decrease was mainly due to the decrease in Proposition 10 and grants and intergovernmental revenue offset by the increase in fair value investment gain.

Total expenses for fiscal year ended 2023 were \$3,425,321, a decrease of \$222,271 or 6% from the prior year total of \$3,647,592. The decrease was mainly due to decrease in program expenses, which correlated with the decrease in program revenues.

Total expenses include approximately \$2,831,996 in program expenses, \$207,071 in evaluation expenses, and \$386,254 in administrative expenses compared to \$3,186,208, \$183,346, and \$278,038, respectively for the fiscal year ended 2022. Expenses decreased from last year and were below budget. These decreases can be attributed to less spending in programs, especially grant-funded programs. This fiscal year was the seventh year of funding under the Commission's 2016-2023 Strategic Plan. Evaluation expenses were \$207,071, representing 6% of all expenses. Program expenses of \$2,831,996 represented 83% of total expenses. The administrative costs of \$386,254 made up 11% of total expenses or 9% of the total budget, which falls well below the 14% administrative cost limit set by the Commission through its administrative cost limit policy.

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*.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2023

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, 2023

The following is a summary of the Commission's Statement of Net Position comparing balances as of June 30, 2023 and June 30, 2022:

	Governmental Activities		Increase / (Decrease)	
	2023	2022	Dollar Change	Percent Change
Assets				
Current assets	\$ 7,251,916	\$ 7,526,573	\$ (274,657)	-4%
Liabilities				
Current liabilities	413,773	454,123	(40,350)	-9%
Net Position				
Unrestricted	\$ 6,838,143	\$ 7,072,450	\$ (234,307)	-3%

The Commission’s net position from governmental activities decreased from \$7,072,450 as of fiscal year ended 2022 to \$6,838,143 as of June 30, 2023. The \$234,307 or 3% decrease in net position was due to lower than expected tobacco tax, and grant and intergovernmental revenues. 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, 2023, decreased by \$40,350 or 9% from the prior year due to the timing of contract payments. The decrease in accounts payable correlates to the decreased 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, 2023

The following is a summary of the Commission's revenue, expense and change in net position comparing fiscal year ended 2022-2023 with fiscal year 2021-2022:

	Governmental Activities		Increase / (Decrease)	
	2023	2022	Dollar Change	Percent Change
Program Revenues:				
Proposition 10	\$ 1,641,240	\$ 1,891,830	\$ (250,590)	-13%
Proposition 56	555,454	634,059	(78,605)	-12%
Grant and intergovernmental	830,447	1,100,961	(270,514)	-25%
General Revenues:				
Investment earnings (loss)	163,873	(191,568)	355,441	-186%
Total revenues	<u>3,191,014</u>	<u>3,435,282</u>	<u>(244,268)</u>	<u>-7%</u>
Program Expenses:				
Children and family services				
Professional and specialized services	2,674,798	3,028,709	(353,911)	-12%
Services and supplies	750,523	618,883	131,640	21%
Total expenses	<u>3,425,321</u>	<u>3,647,592</u>	<u>(222,271)</u>	<u>-6%</u>
Change in net position	(234,307)	(212,310)	(21,997)	10%
Net position, beginning of year	7,072,450	7,284,760	(212,310)	-3%
Net position, end of year	<u>\$ 6,838,143</u>	<u>\$ 7,072,450</u>	<u>\$ (234,307)</u>	<u>-3%</u>

Overall tobacco tax revenues decreased by \$329,195 compared to 2022; Proposition 10 revenues decreased by \$250,590 or 13% and Proposition 56 revenues decreased by \$78,605 or 12% compared to the prior year. This decrease was due to lower tobacco tax collections by the State resulting from the enactment of the flavored tobacco ban. Grant and intergovernmental revenue decreased by \$270,514 or 25% compared to the prior year due to the expiration of two external grants.

Total expenses decreased by \$222,271 or 6% compared to the prior year due to fewer grants.

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 2023/2024.

General Fund Budgetary Highlights

In June of 2022, 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 2022/2023 were \$154,436 lower than projected which was attributed to lower than expected Proposition 10 and Proposition 56 allocations in total made by the State. Total expenditures were under budget by 24% or \$1,095,718. Savings were achieved across all categories and was attributed to the Commission's financial management practices and promotion of sustainability and stewardship. Grant-

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2023

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 taxes. In January 2023, SB 793 (Hill) - which banned the sale of flavored tobacco products - went into effect. At 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 FY 2022/23. In fact, revenues for FY 2022/23 alone were down by 13%. The projected 4 year decline is now estimated to be 23% for Placer County.

The Commission's current Strategic Plan expires June 30, 2024. As the Commission looks for funding over the next 6 year plan (2024-2030) it expected to continue to adopt 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 Head Start, non-profit agencies, and the County/CalWORKS, the Office of Child Abuse Prevention (Road to Resilience) and First 5 California. These are examples of how the Commission fills in the gaps of a larger system to improve overall outcomes for children.

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

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

Fiscal year 23/24 includes the most current approved budgeted expenditures. Prop 10 Revenues are based on the most current state projections (7/2023) through FY 2027/28, with a projected annual birth share of .82% and an annual 4% decline in subsequent years. Interest earnings are projected at .7% of fund balance.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management’s Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2023

Strategic Plan cycles are 6 years. The Commission has not yet adopted budgets for neither the 2024-2030 Strategic Plan nor the 2030-2036 Strategic Plan. Revenue and expenditure forecasts for FY 2025/26 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 fund balance, and administrative expenses stay within the 14% administrative cost limit. Administrative costs include staff time that will be attributed to Program when actual annual budgets are adopted; thus, they appear to exceed the 14% administrative cost limit.

<i>Fiscal Year</i>	<i>2023/24</i>	<i>2024/25</i>	<i>2025/26</i>	<i>2026/27</i>	<i>2027/28</i>	<i>2028/29</i>	<i>2029/30</i>	<i>2030/31</i>	<i>2031/32</i>	<i>2032/33</i>
Revenues										
Annual Tobacco Tax Allocation	1.990	1.947	1.943	1.946	1.940	1.933	1.933	1.855	1.781	1.710
Interest Earnings	0.031	0.038	0.034	0.031	0.027	0.023	0.019	0.014	0.014	0.014
SMIF and Other Funding	0.563	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Subtotal Revenue	2.584	1.986	1.978	1.978	1.968	1.957	1.953	1.870	1.796	1.725
Expenses										
Programs	2.930	1.600	1.600	1.600	1.600	1.600	1.600	1.000	1.000	1.000
Administration	0.751	0.774	0.797	0.821	0.845	0.871	0.897	0.800	0.800	0.800
Evaluation	0.165	0.100	0.100	0.100	0.100	0.100	0.100	0.075	0.075	0.075
Subtotal Expenses	3.846	2.474	2.497	2.521	2.545	2.571	2.597	1.875	1.875	1.875
Planning for Sustainability										
Beginning Fund Balance	6.667	5.405	4.917	4.398	3.855	3.278	2.664	2.020	2.015	1.936
Net Change in Fund Balance	-1.262	-0.488	-0.519	-0.543	-0.577	-0.614	-0.644	-0.005	-0.079	-0.150
Ending Fund Balance	5.405	4.917	4.398	3.855	3.278	2.664	2.020	2.015	1.936	1.786

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, 2023

	Governmental Activities
Assets	
Cash and investment in County treasury	\$ 6,636,881
Due from other governments	615,035
Total assets	<u>7,251,916</u>
Liabilities	
Accounts payable	<u>413,773</u>
Net Position	
Unrestricted	<u><u>\$ 6,838,143</u></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, 2023**

Governmental Activities	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
Child Development	\$ 3,425,321	\$ 3,027,141	\$ (398,180)
	General revenues		
	Investment earnings (loss)		163,873
	Change in net position		(234,307)
	Net position - beginning of year		7,072,450
	Net position - end of year		\$ 6,838,143

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

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Balance Sheet
June 30, 2023**

Assets

Cash and investment in County treasury	\$	6,636,881
Due from other governments		615,035
Total assets	\$	<u>7,251,916</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$	<u>413,773</u>
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Fund balance:

Committed for contractual obligations		3,432,472
Unassigned		<u>3,405,671</u>

Total fund balance		<u>6,838,143</u>
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Total liabilities and fund balance	\$	<u>7,251,916</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
For the Fiscal Year Ended June 30, 2023**

Revenues

Proposition 10 apportionment	\$	1,641,240
Proposition 56 apportionment		555,454
Grants and intergovernmental		830,447
Investment earnings (loss)		163,873
		<hr/>
Total revenues		3,191,014
		<hr/>

Expenditures

Current:

Professional and specialized services		2,674,798
Services and supplies		750,523
		<hr/>
Total expenditures		3,425,321
		<hr/>

Net change in fund balance		(234,307)
Fund balance - beginning of year		7,072,450
		<hr/>
Fund balance - end of year	\$	6,838,143
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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, 2023

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, 2023

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.

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.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation and Accounting (Continued)

- **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 \$3,432,472 for Partner/non-Partner contracts and external grants for First 5 program expenditures for fiscal year 2023/2024.

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, 2023

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, 2023 increased the Commission's investment earnings by \$36,468. 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, 2023

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, 2023 of \$6,636,881 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, 2023 was 450 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, 2023

Note 3: **Related Party Transactions**

During the year ended June 30, 2023, the Commission paid the Placer County Office of Education, a related party, \$979,214 for the following: \$746,721 for accounting, administrative, program, and evaluation services; \$232,493 for programmatic partner services related to early childhood education services.

The Commission also paid the County of Placer, a related party, \$261,423 for the following: \$238,929 to Health and Human Services for Oral Health, Child Abuse Prevention Coordination, and overhead charges; \$16,082 to the Auditor-Controller’s Office for accounting and external audit services; and \$6,413 to County Counsel for legal services. The Commission has outstanding accounts payables totaling \$70,773 at fiscal year-end due to related parties within the accounts payable balance of \$413,775.

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.

<u>Organization</u>	<u>Amount</u>
Placer County - Office of Education	\$ 979,214
Placer County - Health and Human Services	238,929
Placer County - Auditor-Controller	16,082
Placer County - County Counsel	6,413
Total	<u><u>\$ 1,240,638</u></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.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2023

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, 2023, the Commission expended \$207,071 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
For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Proposition 10 apportionment	\$ 2,377,000	\$ 2,263,344	\$ 1,641,240	\$ (622,104)
Proposition 56 apportionment ⁽¹⁾	-	-	555,454	555,454
Grants and intergovernmental	491,542	1,012,106	830,447	(181,659)
Investment earnings (loss)	35,000	70,000	163,873	93,873
Total revenues	<u>2,903,542</u>	<u>3,345,450</u>	<u>3,191,014</u>	<u>(154,436)</u>
Expenditures				
Current:				
Professional and specialized services	2,994,173	3,735,306	2,674,798	1,060,508
Services and supplies	<u>723,597</u>	<u>785,733</u>	<u>750,523</u>	<u>35,210</u>
Total expenditures	<u>3,717,770</u>	<u>4,521,039</u>	<u>3,425,321</u>	<u>1,095,718</u>
Net change in fund balance	<u>\$ (814,228)</u>	<u>\$ (1,175,589)</u>	(234,307)	<u>\$ 941,282</u>
Fund balance - beginning of year			<u>7,072,450</u>	
Fund balance - end of year			<u>\$ 6,838,143</u>	

⁽¹⁾ 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, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon October 13, 2023.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

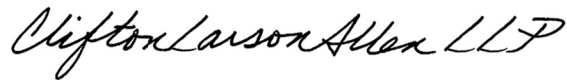
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Roseville, California
October 13, 2023



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, 2023.

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, 2023.

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 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, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
October 13, 2023



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