

Financial Statements

June 30, 2023

First 5 Riverside

Riverside County

Children and Families Commission

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



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First 5 Riverside County Children and Families Commission

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Financial Section



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Independent Auditor's Report

To the Board of Commissioners
First 5 Riverside County Children and Families Commission
Riverside, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the First 5 Riverside County Children and Families Commission (Commission), a component unit of the County of Riverside, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, schedules of Commission's proportionate share of net pension liability and contributions and budgetary comparison information as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of First 5 California Funding (Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our October 11, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
October 11, 2023

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**First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

On November 3, 1998, California voters approved Proposition 10, the California Children and Families Act, which increased tobacco taxes to provide funds for early childhood development programs for children from the prenatal stage up through age five and their families.

As management of the Riverside County Children and Families Commission (Commission), we offer readers of the Commission's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2023. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission recognized approximately \$17.2 million in revenues from First 5 California, reflecting a decrease of approximately \$2.3 million or 11.7% from FY 2022-23. Total revenues for FY 2022-23 were about \$31.1 million, which included revenue from Tobacco Taxes, First 5 CA initiatives (IMPACT, HV), American Rescue Plan Act (ARPA), family resource center reimbursement, investments, and other programs.
- Commission expenses totaled approximately \$32.5 million in FY 2022-23, representing a 13.2% increase or \$3.8 million from FY 2021-22. The increase indicates additional support for childhood development programs and increased wage enhancement payments made to the early childcare education workforce. Salaries and benefits increased due to increased staffing and the reclassification of positions.
- The Commission's assets increased from \$47.8 million in FY 2021-22 to \$49.8 million in FY 22-23 an increase of 4.2% as a result of cash received in advance from ARPA funding as well as increased interest income.
- Commission liabilities totaled approximately \$22.0 million in FY 2022-23, representing a 43.3% increase or \$6.6 million from FY 2021-22, primarily due to accounts payable that posted in the new fiscal year accrued back to FY 22-23. Net pension liability also increased due to increased staffing.
- The Commission's general fund balance decreased from \$34.7 million in FY 2021-22 to \$33.6 million in FY 22-23, a decrease of 3.3%.
- The Commission's Net Position decreased by 4.3% from \$32.1 million in FY 2021-22 to \$30.8 million in FY22-23.

Overview of the Financial Statements

The Commission's financial statements consist of three parts:

- The government-wide financial statements
- Fund financial statements
- The notes to the financial statements

The Commission's financial statements offer essential high-level financial information about its activities. This report also includes supplemental information to provide additional detail to support the basic financial statements.

**First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Commission's finances like a private-sector business. These statements offer long-term and short-term information about the Commission's financial status.

The Statement of Net Position includes information on the Commission's assets, deferred outflows of resources, and liabilities, with the difference between assets, deferred outflows of resources, and liabilities reported as net position. Changes in net position may serve as a valuable indicator of the Commission's financial position.

The Statement of Activities presents information showing how the Commission's net position changed during the fiscal year.

The governmental-wide financial statements are on pages 13-14 of this report.

Fund Financial Statements

Fund accounting ensures and demonstrates compliance with finance-related legal requirements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the year.

The Commission maintains two governmental funds, the General Fund and the ARPA special revenue fund. The Commission adopts an annual budget for its General Fund and ARPA fund. A budgetary comparison schedule has been provided for the General Fund and the ARPA special revenue fund to demonstrate compliance with the budget.

The governmental fund financial statements are on pages 15-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is integral to acquiring a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 19-34 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report contains required supplementary information related to pension and budget, found on pages 35-38 of this report.

**First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

Government-Wide Overall Statements Analysis

The following is a summary of the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position comparing FY 2021-2022 to FY 2022-2023:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Assets:				
Cash and investments	\$ 44,190,041	\$ 43,192,353	\$ 997,688	2.3%
Interest receivable	393,567	79,223	314,344	396.8%
Due from other governments	3,452,966	2,686,219	766,747	28.5%
Capital assets	1,782,417	1,839,911	(57,494)	-3.1%
Total assets	<u>\$ 49,818,991</u>	<u>\$ 47,797,706</u>	<u>\$ 2,021,285</u>	<u>4.2%</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	3,812,285	2,624,597	\$ 1,187,688	45.3%
Total Deferred Outflows Pensions	<u>\$ 3,812,285</u>	<u>\$ 2,624,597</u>	<u>\$ 1,187,688</u>	<u>45.3%</u>
Liabilities:				
Accounts payable	\$ 4,153,692	\$ 1,920,323	\$ 2,233,369	116.3%
Accrued wages and benefits	297,745	240,036	57,709	24.0%
Use tax payable	87	51	36	70.6%
Unearned revenue	10,053,060	9,218,232	834,828	9.1%
Compensated absences	494,114	647,406	(153,292)	-23.7%
Net pension liability	6,901,560	3,253,591	3,647,969	112.1%
Total liabilities	<u>\$ 21,900,258</u>	<u>\$ 15,279,639</u>	<u>\$ 6,620,619</u>	<u>43.3%</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	977,160	2,994,482	(2,017,322)	-67.4%
Net Position				
Investment in capital assets	\$ 1,782,417	\$ 1,839,911	\$ (57,494)	-3.1%
Unrestricted	28,971,441	30,308,271	(1,336,830)	-4.4%
Total Net Position	<u>\$ 30,753,858</u>	<u>\$ 32,148,182</u>	<u>\$ (1,394,324)</u>	<u>-4.3%</u>

The Commission's total assets of \$49.8 million represent an increase of \$2 million or a 4.2% increase compared with the prior year. Of this amount, cash and investments increased by approximately \$1 million or 2.3% primarily due to the Commission holding \$10.2 million of ARPA funding. The Commission's total liabilities increased from \$15.3 million in FY 21-22 to \$21.9 million in FY 22-23 because of net pension liability and accounts payable.

The 3.1% decrease in capital assets resulted from the continued depreciation of the Commission's capital assets. Additional information on capital assets is in Note 5 of this report. The decrease in Net Position from FY 21-22 to FY 22-23 was approximately \$1.4 million or 4.3%.

**First 5 Riverside County Children and Families Commission
Management’s Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

Governmental Activities

The following is a detailed summary of the Commission’s revenue, expenses, and change in net position comparing FY 2021-22 with FY 2022-23:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Revenues				
Program revenues				
Tobacco taxes	\$ 17,210,826	\$ 19,499,728	\$ (2,288,902)	-11.7%
First 5 CA (IMPACT, HV)	1,997,354	1,135,114	862,240	76.0%
Other programs	10,848,194	9,959,329	888,865	8.9%
Total Program Revenue	<u>\$ 30,056,374</u>	<u>\$ 30,594,171</u>	<u>\$ (537,797)</u>	<u>-1.8%</u>
General Revenues				
Investment income (loss)	1,045,880	(659,195)	1,705,075	-258.7%
Total Revenues	<u>\$ 31,102,254</u>	<u>\$ 29,934,976</u>	<u>\$ 1,167,278</u>	<u>3.9%</u>
Expenses				
Child development				
Salaries and benefits	6,578,893	5,769,516	809,377	14.0%
Professional and specialized services	24,258,728	21,056,592	3,202,136	15.2%
Services and supplies	1,601,463	1,814,100	(212,637)	-11.7%
Capital related	57,494	57,494	-	0.0%
Total Expenses	<u>\$ 32,496,578</u>	<u>\$ 28,697,702</u>	<u>\$ 3,798,876</u>	<u>13.2%</u>
Net Change in Net Position	(1,394,324)	1,237,274	(2,631,598)	-212.7%
Net Position, Beginning of the Year	32,148,182	30,910,908	1,237,274	4.0%
Net Position, End of the Year	<u>\$ 30,753,858</u>	<u>\$ 32,148,182</u>	<u>\$ (1,394,324)</u>	<u>-4.3%</u>

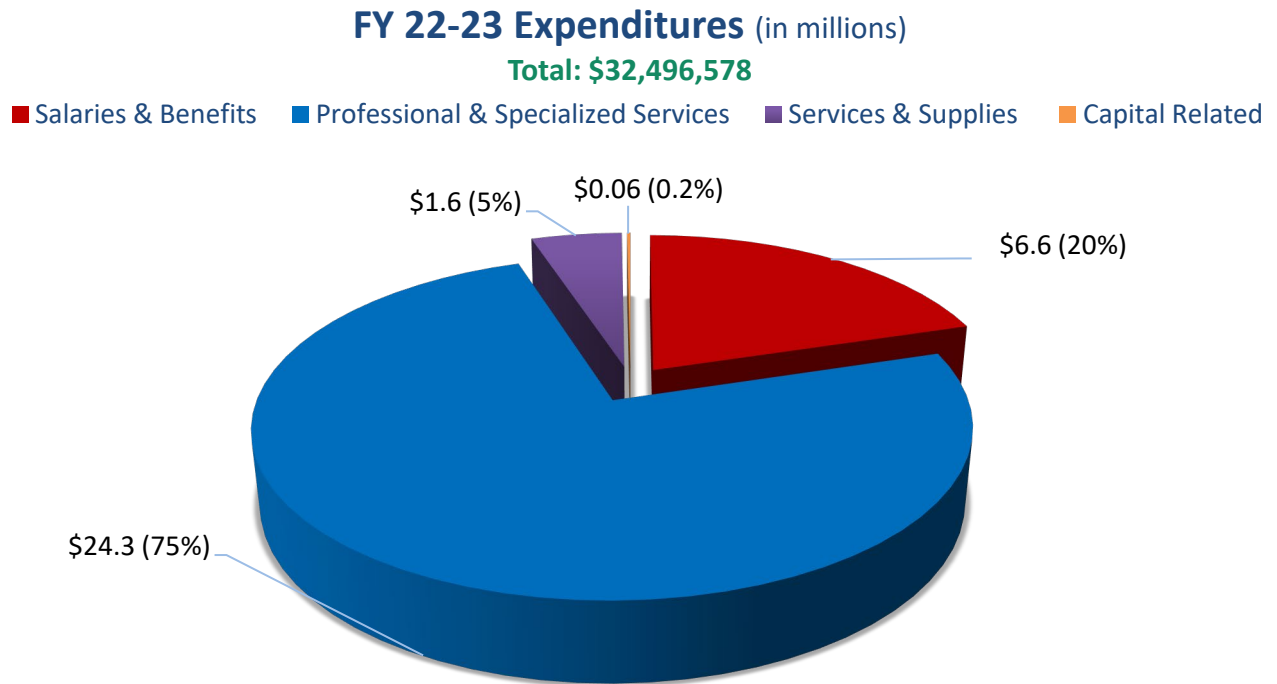
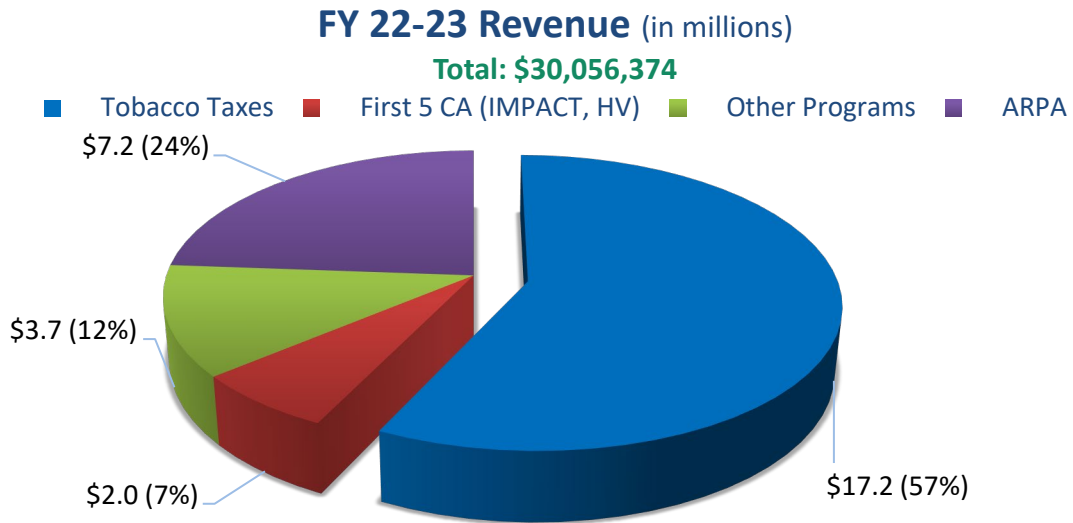
The Commission received approximately \$30 million in revenues reflecting a decrease of \$0.5 million or 1.8% from the prior year. Tobacco tax revenue decreased by \$2.3 million, an 11.7% decrease, compared to the previous year.

Total FY 2022-23 expenses increased by \$3.8 million or 13.2% compared to the prior year. Salaries and benefits increased by \$0.8 million, with more positions filled and some reclassified. Professional and Specialized Services increased by \$3.2 million or 15.2% due to expanded services to the community. There was a slight decrease in Services and Supplies by \$212,637 or 11.7%.

There was no change in capital-related expenses from FY 2021-22 to FY 2022-23.

**First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

Below are revenue (not including investment income) and expenses for FY 22-23, depicting each category in millions:



**First 5 Riverside County Children and Families Commission
Management’s Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

Financial Analysis of Governmental Funds

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

Governmental Funds

The focus of the Commission’s general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Fund balance is a valuable measure of the Commission’s committed and available net resources for future operations.

<u>Fund Balances</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Dollar Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
Committed	\$ 17,584,988	\$ 16,370,183	\$ 1,214,805	7.4%
Unassigned	15,974,384	18,344,651	(2,370,267)	-12.9%
Total Fund Balance - General Fund	<u>\$ 33,559,372</u>	<u>\$ 34,714,834</u>	<u>\$ (1,155,462)</u>	<u>-3.3%</u>

The general fund is the chief operating fund of the Commission. At the end of FY 22-23, the general fund balance decreased by 3.3% or approximately \$1.2 million from FY 21-22. To measure the general fund’s liquidity, comparing total fund balance to total general fund expenditures is useful. Total general fund expenditures of \$24.9 million represent approximately 74.2% of the general fund balance of \$33.6 million.

General Fund Budgetary Highlights

The Commission FY 2022-2023 amended budget was compared to the actual revenues and the differences between estimated revenues and actual revenues were as follows:

<u>Revenues</u>	<u>Final Budget</u>	<u>Actual Revenue</u>	<u>Over/(Under) Estimate</u>	<u>Percent change</u>
Tobacco Taxes	\$ 20,051,140	\$ 17,210,826	\$ (2,840,314)	-14.2%
First 5 CA (IMPACT, HV)	2,118,635	1,997,354	(121,281)	-5.7%
Other programs	6,496,617	3,683,023	(2,813,594)	-43.3%
Investment income (loss)	100,000	846,897	746,897	746.9%
Total Revenue	<u>\$ 28,766,392</u>	<u>\$ 23,738,100</u>	<u>\$ (5,028,292)</u>	<u>-17.5%</u>

Tobacco Tax revenue was \$2.8 million or 14.2% less than projected due to the declining sales of tobacco products in California. Revenue includes California Electronic Cigarette Excise Tax (CECET) at the rate of 12.5 percent (12.50%) of the retail selling price of electronic cigarettes.

First 5 CA initiatives include IMPACT and home visitation. Other program revenue was 43.3% less than projected since CalWORKs home visitation services were lower than projected.

**First 5 Riverside County Children and Families Commission
Management’s Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

Investment income was budgeted based on historical data and actual investment income was 746.9% higher than projected resulting in investment income.

The differences between estimated and actual expenditures were as follows:

<u>Expenditures</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Over/(Under) Estimate</u>	<u>Percent change</u>
Salaries and Benefits	\$ 7,845,900	\$ 6,074,278	\$ (1,771,622)	-22.6%
Professional and Specialized Services	21,864,396	17,228,397	(4,635,999)	-21.2%
Services and Supplies	4,309,164	1,590,887	(2,718,277)	-63.1%
Total Expenses	<u>\$ 34,019,460</u>	<u>\$ 24,893,562</u>	<u>\$ (9,125,898)</u>	<u>-22.8%</u>

Actual Salary and Benefits of \$6.1 million were less than the budgeted amount of \$7.8 million due to staff vacancies and recruitment challenges.

Professional and Specialized Services were 21.2% less than budgeted since program expenditures were lower than projected.

ARPA Fund Budgetary Highlights – (25820)

<u>Revenues</u>	<u>Final Budget</u>	<u>Actual Revenue</u>	<u>Over/(Under) Estimate</u>	<u>Percent change</u>
Other programs	\$ 17,218,231	\$ 7,165,171	\$(10,053,060)	-58.4%
Investment income (loss)	-	198,983	198,983	100%
Total Revenue	<u>\$ 17,218,231</u>	<u>\$ 7,364,154</u>	<u>\$ (9,854,077)</u>	<u>-57.2%</u>

<u>Expenditures</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Over/(Under) Estimate</u>	<u>Percent change</u>
Salaries and Benefits	\$ -	\$ 214,948	\$ 214,948	100%
Professional and Specialized Services	12,015,656	7,030,331	(4,985,325)	-41.5%
Services and Supplies	5,202,575	10,576	(5,191,999)	100%
Total Expenses	<u>\$ 17,218,231</u>	<u>\$ 7,255,855</u>	<u>\$ (9,962,376)</u>	<u>-22.8%</u>

Compensated Absences

During the fiscal year, the Commission’s compensated absences had a net decrease of \$153,293 due to several employees separating from the Commission who had high leave balances.

Please refer to Note 6 in the Notes to the Financial Statements for more information on compensated absences.

**First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2023**

Capital Assets

During FY 2022-2023, the Commission's Net Capital Assets decreased \$57,494 due to accumulative depreciation. Please refer to Note 5 in the Financial Statements for more information on capital assets.

Economic Factors and Next Year's Budget

For the past ten (10) years, Proposition 10 has declined on average 6% annually. Proposition 56 continues to increase annually. Combined, total tobacco tax decreased by 16% from FY 21-22 to FY 22-23. With the flavor ban in effect this year, tobacco tax is expected to decline faster.

Additionally, the Commission has oversight and management of approximately \$10 million from the American Rescue Plan Act (ARPA) in FY24 for the Early Care & Education (ECE) Recovery Fund to stabilize and expand the availability of ECE to support the return of working parents to the workforce, including expansion of ECE facilities.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to Yvonne Suarez, Assistant Director, Riverside County Children and Families Commission (First 5 Riverside), 585 Technology Court, Riverside, California 92507.

Basic Financial Statements



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First 5 Riverside County Children and Families Commission
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and investments in County Treasury	\$ 44,190,041
Interest receivable	393,567
Due from other governments	3,452,966
Capital assets not being depreciated	373,380
Capital assets, net of accumulated depreciation	1,409,037
Total assets	49,818,991
Deferred Outflows of Resources	
Deferred outflows related to pensions	3,812,285
Liabilities	
Accounts payable	4,153,692
Accrued wages and benefits	297,745
Use tax payable	87
Unearned revenue	10,053,060
Compensated absences	
Payable within one year	73,515
Payable after one year	420,599
Net pension liability	6,901,560
Total liabilities	21,900,258
Deferred Inflows of Resources	
Deferred inflows related to pensions	977,160
Net Position	
Investment in capital assets	1,782,417
Unrestricted	28,971,441
Total net position	\$ 30,753,858

First 5 Riverside County Children and Families Commission
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities			
Child development	\$ 32,496,578	\$ 30,056,374	\$ (2,440,204)
Total governmental activities	<u>\$ 32,496,578</u>	<u>\$ 30,056,374</u>	<u>(2,440,204)</u>
	General Revenues		
	Investment income		<u>1,045,880</u>
	Total general revenues		<u>1,045,880</u>
	Change in Net Position		(1,394,324)
	Total Net Position - Beginning		<u>32,148,182</u>
	Total Net Position - Ending		<u>\$ 30,753,858</u>

First 5 Riverside County Children and Families Commission

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	ARPA Fund	Total
Assets			
Cash and investments in County Treasury	\$ 34,162,747	\$ 10,027,294	\$ 44,190,041
Interest receivable	304,499	89,068	393,567
Due from other governments	3,452,966	-	3,452,966
Total assets	\$ 37,920,212	\$ 10,116,362	\$ 48,036,574
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 4,063,008	\$ 90,684	\$ 4,153,692
Accrued wages and benefits	297,745	-	297,745
Use tax payable	87	-	87
Unearned revenue	-	10,053,060	10,053,060
Total liabilities	4,360,840	10,143,744	14,504,584
Fund Balances			
Committed	17,584,988	-	17,584,988
Unassigned	15,974,384	(27,382)	15,947,002
Total fund balance (deficit)	33,559,372	(27,382)	33,531,990
Total liabilities and fund balance	\$ 37,920,212	\$ 10,116,362	\$ 48,036,574

First 5 Riverside County Children and Families Commission
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because

Fund Balance of Governmental Funds	\$ 33,531,990
Capital assets used for governmental activities in the amount of \$2,362,362 net of \$579,945 in accumulated depreciation, are not financial resources and therefore, are not reported in the funds.	1,782,417
Governmental funds report pension contributions to the plan as expenditures, however in the statement of net position contributions are recorded as deferred outflows of resources to reduce the net pension liability at a future date. Additionally, the net pension liability is recorded in the statement of net position as a long-term liability. The following reconciles adjustments related to the net pension liability	
Net pension liability	(6,901,560)
Deferred outflows of resources	3,812,285
Deferred inflows of resources	(977,160)
Compensated absences liability is not reported in the fund financial statements.	<u>(494,114)</u>
Net Position of Governmental Activities	<u><u>\$ 30,753,858</u></u>

First 5 Riverside County Children and Families Commission
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	ARPA Fund	Total
Revenues			
Tobacco taxes	\$ 17,210,826	\$ -	\$ 17,210,826
IMPACT	1,997,354	-	1,997,354
Other programs	3,683,023	7,165,171	10,848,194
Investment income	846,897	198,983	1,045,880
Total revenues	23,738,100	7,364,154	31,102,254
Expenditures			
Current			
Child development			
Salaries and benefits	6,074,278	214,948	6,289,226
Professional and specialized services	17,228,397	7,030,331	24,258,728
Services and supplies	1,590,887	10,576	1,601,463
Total expenditures	24,893,562	7,255,855	32,149,417
Net Change in Fund Balance	(1,155,462)	108,299	(1,047,163)
Fund Balance (Deficit), Beginning of Year	34,714,834	(135,681)	34,579,153
Fund Balance (Deficit), End of Year	\$ 33,559,372	\$ (27,382)	\$ 33,531,990

First 5 Riverside County Children and Families Commission
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Amounts reported for Governmental Activities in the Statement of
Activities are different because

Net Change in Fund Balance - Total Governmental Funds \$ (1,047,163)

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by which
depreciation expense exceeded capital outlays in the current period. (57,494)

Governmental funds report pension contributions as expenditures. However, in the
statement of activities, pension expense is measured as the change in net pension
liability and the amortization of deferred outflows and inflows related to pensions.
This amount represents the net change in pension related amounts. (442,959)

Compensated absences expenses reported in the Statement of Activities do
not require the use of current financial resources and therefore are not
reported as expenditures in governmental funds. This amount represents
the net change in the compensated absences liability. 153,292

Change in Net Position of Governmental Activities \$ (1,394,324)

Notes to Financial Statements



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First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Riverside County Board of Supervisors established First 5 Riverside, also known as Riverside County Children and Families Commission (“the Commission”) in 1999 under the provisions of the California Children and Families Act of 1998 (Act). The Commission provides support for all children, prenatal through five years, and their families to improve early childhood development. The Commission is funded through cigarette tax revenue generated as a result of the California voter approval of the Proposition 10 Act (“Prop 10”) in November 1998. A governing board of nine members, which are appointed by the County Board of Supervisors, administers the Commission. The composition of the Commission is consistent with the requirements set forth in the Proposition 10 legislation and the local Riverside County Ordinance No. 784.

The Commission is a component unit of the County of Riverside, California. The Commission implements comprehensive and integrated systems for children to thrive in supportive, nurturing and loving environments; enter school healthy and ready to learn and become productive and well-adjusted as members of society. The Commission developed a strategic plan to guide activities and funding for the period of July 2018 through June 2023. The Commission extended the strategic plan three more years through June 30, 2026. The Commission’s primary goals are: 1) to foster a healthy community and provide access to affordable, comprehensive and preventive mental and physical health services 2) to expand the availability of quality, accessible and affordable Child Care services and 3) to educate Riverside County residents about the lifelong implication of optimal development through age 5.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the activities of the reporting entity. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities on pages 13 and 14) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions to local grantee organizations are recognized as expense when criteria for grant payments are met by the grantee organization. The *Statement of Net Position* presents the Commission's overall financial position. The *Statement of Activities* reports the change in net position in a net program cost format to demonstrate the degree to which the expenses of the Commission are offset by its program revenues. The Commission's principal activity is child development.

Governmental fund financial statements, presented after the government-wide financial statements, are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recognized in the accounting period in which the liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due. Revenues collected in advance are recorded as advances (Unearned Revenue) and recognized in the period to which they apply.

The government reports the following major governmental funds:

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

The Coronavirus State and Local Fiscal Recovery Funds (*ARPA fund*) is a special revenue fund. This fund supports the resilience of the overall economy by allowing more parents to access early care and education (childcare) so that they are able to return to work after experiencing the negative impacts of COVID-19 within Riverside County.

D. Accounting and Reporting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

E. Cash and Investments

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.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

F. Capital Assets

Capital assets are recorded at historical cost. The capitalization threshold for equipment is \$5,000; buildings, land and land improvements is \$150,000. Betterments result in a more productive, efficient or long-lived asset. Significant betterments are considered capital assets when they result in an improvement of \$2,500 or more. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide statements. The estimated useful lives are as follows: Buildings 25-60 years, Improvements 10-20 years, Equipment 3-20 years. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the changes in financial position.

G. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Commission has one item that qualifies for reporting in this category: Deferred outflows related to pensions.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category: Deferred inflows related to pensions.

H. Unearned Revenue

Revenues collected in advance of incurring eligible expenses are recorded as advances (Unearned Revenue) and recognized in the period to which they apply. As of June 30, 2023, the Commission has unearned revenues of \$10,053,060.

I. 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 the reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

J. Restricted Resources

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

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Riverside's Miscellaneous Pension Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Net Position and Fund Balance

Net Position

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred outflows (inflows) of resources, and may be classified into three components:

- Investment in Capital Assets – This balance reflects the net position of the Commission that are invested in capital assets. This amount is generally not accessible for other purposes.
- Restricted Net Position – This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. At June 30, 2023, no amounts are reported under this category.
- Unrestricted Net Position – This balance represents the net position that is available for general use.

Fund Balance

The following classifications describe the relative strength of the constraints placed on the purposes for which resources can be used:

- Nonspendable Fund Balance – Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.
- Restricted Fund Balance – Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed Fund Balance – Amounts with self-imposed limitations and require both the approval of the highest level of decision-making authority (Commissioners) and the same formal action to remove or modify limitations. The formal action required by the Commissioners for funds to be committed is action by the way of a formal action item allocating funding for a specific purpose, program or initiative.
- Assigned Fund Balance – Amounts that are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. The Commission is the only authority allowed to assign amounts to be used for specific purposes.
- Unassigned Fund Balances – These are residual resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative fund balance of special revenue funds.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources, as they are needed. For unrestricted resources, decreases in fund balance first reduce committed fund balance, in the event that committed fund balance becomes zero, then assigned and unassigned fund balances are used in that order.

First 5 Riverside County Children and Families Commission
Notes to Financial Statements
June 30, 2023

M. Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to make financial statements more useful to end users by eliminating this diversity of practice in Conduit Debt Obligation reporting. Additionally, GASB 91 enhances financial statement note disclosures regarding issuers' commitments and the likelihood that they will fulfill them. This Statement is effective for reporting periods beginning after December 15, 2021. The Commission has determined this Statement did not have an impact on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022. The Commission has determined this Statement did not have an impact on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to establish uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs); improve comparability of government's financial statements; and enhance the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement is effective for reporting periods beginning after June 15, 2022. The Commission has determined this Statement did not have an impact on the financial statements.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in account and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The Commission has determined that there was no material impact on the Commission's financial statements.

Effective in Future Fiscal Years

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The Commission has not determined the effect of the following Statements:

GASB Statement No. 99 - *Omnibus 2022* - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100 - *Accounting Changes and Error Corrections*

GASB Statement No. 101 - *Compensated Absences*

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

Note 2 - Stewardship, Compliance, and Accountability

Deficit fund equity

At June 30, 2023, the ARPA fund, has a deficit fund balance of \$27,382. The reason for the deficit is due to the fair market value adjustment for the investment pool. This deficit will be eliminated in future periods.

Note 3 - Cash and Investments

Cash and Investments are classified in the accompanying financial statements as follows:

Cash and Investments in County Treasury	\$ 44,190,041
Total cash and investments	\$ 44,190,041

Investments Authorized by the California Government Code

The Commission is authorized under the California Government Code to make direct investments and has adopted the Riverside County Statement of Investment Policy and any amendments, therein. The Commission maintains policies for exposure to interest rate risk, credit risk, and concentration of credit risk, as stated in the policy. The following are investments authorized under the Riverside County Statement of investment Policy, which is more limited than those authorized under the California Government Code:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
Municipal Bonds (Muni)	4 years	15%
U.S. Treasury	5 years	100%
Local Agency Obligations (LAO)	3 years	2.5%
Federal Agencies	5 years	100%
Commercial Paper	270 days	40%
Certificate & Time Deposits (NCD & TCD)	1 years	25% Combined
International Bank for Reconstruction and Development and International Finance Corporation	4 years	20%
Repurchase Agreements (REPO)	45 days	40% max/25% in term repo over 7 days
Medium Term Notes (MTNO)	3 years	20%
CalTRUST Short Term Fund	Daily Liquidity	1%
Money Market Mutual Funds (MMF)	Daily Liquidity	20%
Local Agency Investment Funds (LAIF)	Daily Liquidity	Max \$75 million
Cash/Deposit Account	NA	NA

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

Investment in Riverside County Treasurer’s Pooled Investment Fund

The Commission maintains all of its funds with the Riverside County Treasurer. For information regarding interest rate risk, credit risk, concentration of credit risk, and custodial credit risk of the Riverside County Treasurer’s Pool refer to the County of Riverside Annual Comprehensive Financial Report.

The Riverside County Treasurer maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Interest is apportioned to the Commission based on the average daily balances on deposit with the Riverside County Treasurer.

The Commission is an involuntary participant in the pool regulated by the California Government Code, under the oversight of the Treasurer of the County of Riverside and Treasury Oversight Committee. The fair value of the Commission’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission’s pro-rata share of the fair value provided by the County of Riverside for the entire pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the pool, which are recorded on an amortized cost basis. The weighted average maturity of the pool was 1.15 years at June 30, 2023. The County pool investment fund is rated AAA-bf by Moody’s Investor Service and AAA/V1 by Fitch Ratings.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. As of June 30, 2023, the Commission held no individual investments. All funds are invested in the Riverside County Investment Pool.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the Commission’s investment in the Riverside County Investment Pool at June 30, 2023 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

Note 4 - Due from Other Governments

Due from other governments represents amounts due to the Commission from the California Children and Families Commission (“State Commission”) for Prop 10 related revenues. The amounts due at June 30, 2023, were as follows:

Prop 10 Revenue For May & June-2023	\$ 2,051,206
IMPACT	174,506
SMIF (interest)	63,015
Other	<u>1,164,239</u>
Total due from other governments	<u><u>\$ 3,452,966</u></u>

First 5 Riverside County Children and Families Commission
Notes to Financial Statements
June 30, 2023

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2023, is shown below:

	Beginning	Increases	Decreases	Ending
Capital Assets Not Depreciated				
Land	\$ 373,380	\$ -	\$ -	\$ 373,380
Capital Assets Depreciated				
Building and improvements	1,897,938	-	-	1,897,938
Machinery and equipment	91,044	-	-	91,044
Total depreciable assets	1,988,982	-	-	1,988,982
Less - Accumulated Depreciation For				
Building and improvements	(436,257)	(53,827)	-	(490,084)
Machinery and equipment	(86,194)	(3,667)	-	(89,861)
Total accumulated depreciation	(522,451)	(57,494)	-	(579,945)
Total capital assets depreciated, net	1,466,531	(57,494)	-	1,409,037
Total capital assets, net	\$ 1,839,911	\$ (57,494)	\$ -	\$ 1,782,417

Depreciation expense for the year ended June 30, 2023 totaled \$57,494 and is included in child development in the statement of activities.

Note 6 - Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2023, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was \$494,114.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and the Public Employee’s Retirement System, unused accumulated sick leave for most employees with at least five (5) but less than 15 years of service shall be credited at the rate of 50% of current salary value thereof provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. Unused accumulated sick leave for employees with more than fifteen or more years of service shall be credited at the rate of the current salary value provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in one year
Compensated Absences	\$ 647,406	\$ 32,469	\$ 185,761	\$ 494,114	\$ 73,515

Note 7 - Net Position and Fund Balance

The details of the fund balances as of June 30, 2023, are presented below:

	General Fund	ARPA Fund	Total
Fund Balance			
Committed to			
Budgetary Stabilization Reserve	\$ 6,000,000	\$ -	\$ 6,000,000
Capital Acquisition Reserve	800,000	-	800,000
RUHS-MC MFM Capacity Building	1,295,000	-	1,295,000
IMPACT Legacy Match	2,000,000	-	2,000,000
Inland Southern California United Way	2,500,000	-	2,500,000
ECE Facility Projects	4,989,988	-	4,989,988
Total committed	17,584,988	-	17,584,988
Unassigned			
Unassigned Fund Balance	15,974,384	(27,382)	15,947,002
Total fund balance	\$ 33,559,372	\$ (27,382)	\$ 33,531,990

Stabilization Arrangement

In May 2018, the Commission approved Action Item #18-12. Under the formal action, a portion of the fund balance of the General Fund is committed for budget stabilization arrangement, such as might be needed when revenue shortages or budgetary imbalances occur. The Policy states that, at fiscal year-end, an amount equal \$6,000,000 of the General Fund is to be committed for use to maintain services at the same level as was contracted in the event of revenue budgetary shortfall (revenue fall 10% below budget). At June 30, 2023, \$6,000,000 was committed for the budgetary stabilization reserve.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

Minimum Fund Balance Policy

In May 2018, the Commission approved Action Item #18-12, which created a minimum fund balance reserve policy. The minimum fund balance reserve is set at an amount equal \$4,000,000. The reserve is to be replenished as soon as economic conditions allow. As of June 30, 2023, the Commission had \$4,000,000 of the targeted reserve amount of \$4,000,000 in unassigned fund balance, pursuant to the policy.

Note 8 - Special Funding – Other Programs

The Riverside IMPACT (Improve and Maximize Programs so All Children Thrive) program focuses on improving the quality of early learning sites and is inclusive of voluntary settings across the early learning continuum, including licensed centers and family child-care homes (FCCH); legally exempt centers; family, friend, and neighbor (FFN) care; and alternative settings for children ages 0 to 5. First 5 California funding for IMPACT is \$3,412,988 for a three-year period that began July 1, 2020. Funds claimed for the year ending June 30, 2023 totaled \$1,083,522. The First 5 IMPACT program requires a match and leveraging of funds. The matching requirement ratio for the Commission is two to one program partner match of two dollars of First 5 California funding to every dollar of local funding. Also funded through First 5 California and identified in this revenue line is the Home Visitation – \$42,232. Total funding from First 5 California for all initiatives – \$1,125,754. The Commission also received IMPACT related funding from Riverside County Office of Education in the amount of \$96,101.

First 5 California provided additional funding for regional coordination, training, and technical assistance for the quality improvement of early education programs and systems. As the regional fiscal agent for the Hub program, funds claimed for the period ending June 30, 2023 totaled \$871,601.

California Family Resource Association provided additional funding in the amount of \$2,423,320 to support foster families and tribal families in the County's family resource center network in response to family needs in context of COVID-19.

Note 9 - Related Party Transactions

The required composition of the Board of Commissioners is consistent with the Children and Families Act of 1998 and Riverside County Ordinance 784. Some of the programs funded by First 5 Riverside are operated by organizations associated with the Commissioners. Commissioners must abstain from discussion and voting on issues directly related to their respective organizations. The Commission also utilizes the County Counsel for its legal services.

First 5 Riverside County Children and Families Commission
Notes to Financial Statements
June 30, 2023

The following is a summary of expenditures and payables at June 30, 2023 for each related party:

Organization	Expenditure Amount	Payable Amounts
Department of Public Health Riverside County	\$ 144,298	\$ -
Consortium for Early Learning Services	137,076	9,900
Jurupa Unified School District	1,186,313	232,323
Riverside County Office of Education	4,208,128	870,777
County Counsel	27,600	-
Total	\$ 5,703,415	\$ 1,113,000

The expenditure amounts are included in Professional and Specialized Services. Payable amounts are included in accounts payable.

Note 10 - 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 \$925,478 on program evaluation.

Note 11 - Retirement Plan

A. General Information about the Pension Plan

Plan Descriptions – The County contracts with CalPERS to provide retirement benefits to its employees. CalPERS is a common investment and administrative agent for participating public entities with the State of California. All qualified permanent and probationary employees are eligible to participate in the County’s Miscellaneous (all other) Employee Pension Plans, an agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information may be obtained from: California Public Employee’s Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, California 94229-2701 or can be found on the CalPERS website at: <http://www.calpers.ca.gov>.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

The employees of the Commission are employees of the County. The Commission reimburses the County for all pension plan costs and participates in the County’s agent employer plan. For financial reporting purposes, the Commission reports a proportionate share of the County’s collective net pension liability, pension expense, and deferred outflows and inflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost-sharing participant. For additional details of the County’s pension plan, refer to the County of Riverside Annual Comprehensive Financial Report.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous		
	Tier I Prior to	Tier II 8/23/2012 through 12/31/2012	Tier III On or after
Hire Date	8/23/2012	12/31/2012	1/1/2013
Formula	3% at 60	2% @ 60	2% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Final Compensation	12 months	36 months	36 months
PEPRA Compensation Limit	N/A	N/A	\$ 117,020
Benefit Payments	monthly for life	monthly for life	monthly for life
Earliest Retirement Age	50	50	52
Required Employee Contribution Rates	8.0%	7.0%	7.25%
Required Employer Contribution Rates	23.05%	23.05%	23.05%

Contributions - Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers must be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis.

Active plan members in CalPERS are required to contribute up to 8% (Miscellaneous employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statute. The Commission’s contributions to the County plan were \$924,394 for the year ended June 30, 2023.

First 5 Riverside County Children and Families Commission
Notes to Financial Statements
June 30, 2023

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the Commission reported a net pension liability for its proportionate share of the County’s miscellaneous plan net pension liability of \$6,901,560.

The Commission’s net pension liability was measured as the proportionate share of the County’s net pension liability based on its actual 2023 contributions in relation to all County contributions to the Plan.

The net pension liability of the Plan was measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The Commission's proportionate share of the County's miscellaneous pension plan's net pension liability, measured as of June 30, 2021, and 2022 was 0.322377% and 0.285902%, respectively.

For the year ended June 30, 2023, the Commission recognized pension expense is \$1,199,624. At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ 10,838	\$ (383,578)
Changes In Assumptions	812,801	-
Net Differences Between Projected and Actual Earnings		
On Plan investments	1,108,456	-
Changes In Proportion and Difference Between		
Commission's Contributions and Proportionate Share of		
Contributions	955,796	(593,582)
Contributions Subsequent To The Measurement Date	924,394	-
Total	\$ 3,812,285	\$ (977,160)

The amount of \$924,394 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30		
2024	\$	723,724
2025		392,342
2026		107,798
2027		686,867
	\$	1,910,731

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

Actuarial Assumptions – The Commission’s proportion of the County’s total pension liabilities in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table (1)	Derived using CalPERS' Membership Data for all Funds
Post retirement benefit increase	Lesser of Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

- (1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the County’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return ^{1,2}
Global Equity	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-59.00%
Total	100%	

(1) An expected inflation of 2.30% used for this period

(2) Figures are based on the 2021 Asset Liability Management study

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the Commission, calculated using the discount rate for the Plan, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-Percentage point higher than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Commission's Proportionate Share of the Net Pension Liability	\$ 11,092,698	\$ 6,901,560	\$ 3,472,857

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report and the County Annual Comprehensive Financial Report (ACFR). The County’s financial statements may be found on the Auditor-Controller’s Website:

<http://www.auditorcontroller.org/>.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2023

Note 12 - Risk Management

The Commission is part of the County of Riverside's insurance programs including coverage for general liability and auto liability. The County's insurance program for general and auto liability is a combination of self-insurance and excess insurance providing limits of liability of \$25,000,000 per occurrence.

The employees at the Commission are considered to be employees of the County of Riverside and are covered by the County's workers' compensation program. The County's workers' compensation program is a combination of self-insurance and excess insurance providing statutory limits of coverage as required by the State of California.

For the past three years, settlements or judgment amounts have not exceeded insurance provided for Commission.

Note 13 - Contingencies

The Commission participates in state and federal programs, the principal of which are subject to program compliance. The amount of expenditures which may be disallowed, if any, by the granting agencies (First 5 California or State of California or federal awarding agencies) are anticipated to be immaterial.

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on financial position or changes in financial position of the Commission.

Required Supplementary Information
June 30, 2023

First 5 Riverside County Children and Families Commission



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First 5 Riverside County Children and Families Commission
Schedule of the Commission's Proportionate Share of the Net Pension Liability (Miscellaneous Plan)
Last Ten Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.285902%	0.322377%	0.303069%	0.214360%	0.243538%	0.240294%	0.181543%	0.157307%	0.141167%
Commission's proportionate share of the net pension liability	\$ 6,901,560	\$ 3,253,591	\$ 6,463,224	\$5,065,275	\$ 5,301,689	\$ 5,231,069	\$ 2,987,791	\$ 1,777,256	\$ 1,340,526
Covered payroll	\$ 3,734,131	\$ 3,481,611	\$ 2,638,451	\$ 2,660,118	\$ 2,581,044	\$ 1,944,230	\$ 1,590,991	\$ 1,339,400	\$ 1,341,771
Commission's proportionate share of the net pension liability as a percentage of covered payroll	184.82%	93.45%	244.96%	190.42%	205.41%	269.06%	187.79%	132.69%	99.91%
Plan fiduciary net position as a percentage of the total pension liability	75.92%	89.13%	76.03%	72.08%	72.12%	71.03%	74.51%	80.89%	83.16%
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

* Fiscal year 2015 was the first year of implementation.

First 5 Riverside County Children and Families Commission
 Schedule of Contributions
 Last Ten Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Required Commission contributions	\$ 924,394	\$ 948,918	\$ 866,994	\$ 523,854	\$ 505,552	\$ 438,501	\$ 325,821	\$ 252,313	\$ 195,972
Contributions in relation to the actuarially determined contribution	924,394	948,918	866,994	523,854	505,552	438,501	325,821	252,313	195,972
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,327,557	\$ 3,734,131	\$ 3,481,611	\$ 2,638,451	\$ 2,660,118	\$ 2,581,044	\$ 1,944,230	\$ 1,590,991	\$ 1,339,400
Contributions as a percentage of covered payroll	27.78%	25.41%	24.90%	19.85%	19.00%	16.99%	16.76%	15.86%	14.63%

* Fiscal year 2015 was the first year of implementation.

First 5 Riverside County Children and Families Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tobacco taxes	\$ 20,051,140	\$ 20,051,140	\$ 17,210,826	\$ (2,840,314)
IMPACT	1,816,443	2,118,635	1,997,354	(121,281)
Other programs	5,746,617	6,496,617	3,683,023	(2,813,594)
Investment loss	100,000	100,000	846,897	746,897
Total revenues	<u>27,714,200</u>	<u>28,766,392</u>	<u>23,738,100</u>	<u>(5,028,292)</u>
Expenditures				
Current				
Salaries and benefits	7,845,900	7,845,900	6,074,278	1,771,622
Professional and specialized services	22,588,276	21,864,396	17,228,397	4,635,999
Services and supplies	3,585,284	4,309,164	1,590,887	2,718,277
Total expenditures	<u>34,019,460</u>	<u>34,019,460</u>	<u>24,893,562</u>	<u>9,125,898</u>
Net Changes in Fund Balance	<u>\$ (6,305,260)</u>	<u>\$ (5,253,068)</u>	(1,155,462)	<u>\$ 4,097,606</u>
Fund Balance, Beginning of Year			<u>34,714,834</u>	
Fund Balance, Ending			<u>\$ 33,559,372</u>	

First 5 Riverside County Children and Families Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – ARPA Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other programs	\$ 8,797,425	\$ 17,218,231	\$ 7,165,171	\$ (10,053,060)
Investment income	-	-	198,983	198,983
Total revenues	<u>8,797,425</u>	<u>17,218,231</u>	<u>7,364,154</u>	<u>(9,854,077)</u>
Expenditures				
Current				
Salaries and benefits	-	-	214,948	(214,948)
Professional and specialized services	3,594,850	12,015,656	7,030,331	4,985,325
Services and supplies	5,202,575	5,202,575	10,576	5,191,999
Total expenditures	<u>8,797,425</u>	<u>17,218,231</u>	<u>7,255,855</u>	<u>9,962,376</u>
Net Changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	108,299	<u>\$ 108,299</u>
Fund Balance (Deficit), Beginning of Year			<u>(135,681)</u>	
Fund Balance, Ending			<u>\$ (27,382)</u>	

Note to Required Supplementary Information

Budget and Budgetary Process

The annual budget is adopted on a basis consistent with Generally Accepted Accounting Principles for the general fund and ARPA fund. The appropriated budget is prepared utilizing fund and department categories. Transfer of appropriations between categories must be approved by the Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

The Commission adopts an annual budget, which can be amended by the Commission throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures.

Other Supplementary Information
June 30, 2023

First 5 Riverside County Children and Families Commission



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First 5 Riverside County Children and Families Commission
Schedule of First 5 California Funding
Year Ended June 30, 2023

<u>Program</u>	<u>Source</u>	<u>Revenue</u>	<u>Expenses</u>
IMPACT	F5CA Program Funds	\$ 1,997,354	\$ 1,997,354

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Compliance Section
June 30, 2023

First 5 Riverside County Children and Families Commission



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Independent Auditor’s 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 Riverside County Children and Families Commission
Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the First 5 Riverside County Children and Families Commission (Commission), a component unit of the County of Riverside, 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 dated October 11, 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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
October 11, 2023



Independent Auditor's Report on State Compliance

To the Board of Commissioners
First 5 Riverside County Children and Families Commission
Riverside, California

Report on Compliance

Opinion

We have audited the First 5 Riverside County Children and Families Commission (Commission), a component unit of the County of Riverside, 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*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

Auditor’s Responsibilities for the Audit of Compliance

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

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

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

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 Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefits Policies	2	Yes

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 identify during the audit.

Internal Control over Compliance

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

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

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

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



Rancho Cucamonga, California
October 11, 2023