FIRST 5 LAKE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2023

FIRST 5 LAKE
Financial Statements
For the Year Ended June 30, 2023

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FIRST 5 LAKE

Commission Membership
At June 30, 2023

Name	Position	Date of Original Appt.
Brock Falkenberg	Superintendent of Schools, Lake County Office of Education Chair	Mandated
Crystal Markytan	Director, Department of Social Services Vice Chair	Mandated
Carly Swatosh-Sherman	Education Specialist Lake County Office of Ed. Commissioner	August 2017
Fawn Rave	Education Director Robinson Rancheria: Learning Center Commissioner	August 2020
Michael Green	County of Lake District 4 Supervisor Commissioner	Mandated
Jonathan Portney	Director of Health Services, County of Lake Commissioner	Mandated
Justin Gaddy	Father of a Child under the Age of 5 Executive Director Hope Rising Lake County Commissioner	Mandated

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

Making a Lasting Contribution
To our Clients, To our Community, To our Profession

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 Lake
Lakeport, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of First 5 Lake (Commission) as of and for the year ended June 30, 2023, 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 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 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 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 generally accepted auditing standards 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 generally accepted auditing standards 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 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, Budgetary Comparison Information and

CalPERS schedules on pages 4 through 9; 27 through 28; and 29 through 31 be presented to supplement the basic financial statements. Such information, 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 supplemental information listed in the table of contents is presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents 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 report dated January 24, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.

Jensen Smith

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
January 24, 2024

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed additional excise tax on cigarettes and tobacco-related products to fund programs that promote, support, and improve the early development of children prenatally through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The Lake County (County) Board of Supervisors created the First 5 Lake Commission (Commission) (formerly Lake County Children and Families Commission) in 1998 under the provisions of the Act. The Commission consists of nine members. Four members sit on the Commission by virtue of their respective official positions as identified in the enabling ordinance. Five members are members at-large. They are appointed by the seated Commissioners and the County Board of Supervisors re-affirms their appointments. As of June 30, 2023, seven of the nine seats on the Commission were filled with two at-large seats open. The Commission is a public entity with independent status, with the County's governmental structure providing staff services, including accounting, personnel and legal counsel.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial status as reflected in its basic financial statements. These statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change as it occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 10 - 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government wide statements.

The Commission adopts an annual appropriated budget for its fund. Revisions to the budget are allowed and appropriate during the fiscal year to reflect more accurately revenues and expenditures. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the original and final budgets approved by the Commission.

The fund financial statements can be found on pages 10 - 11 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 - 26 of this report.

Government-wide Financial Analysis

The Commission has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

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 $742,113(net position) at the close of the most recent fiscal year. The most significant portion of the Commission's net position is its cash in county treasury balance of $631,843. This represents primarily resources received from the State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net position also resides in the Commission's receivables due from the State Commission for Proposition 10 taxes, California Electric Cigarette Excise Tax (CECET) and SPCFA ($206,229) and the unused advanced program costs to be reimbursed by the grantees ($85,540). The Commission also reports accounts payable of $7,732 representing payments due for operating costs.

The Commission's net position increased by $15,504 during the 2022-2023 fiscal year. This increase is explained in the governmental activities analysis (below) and is primarily a result of the increased funding and more significantly, grantees not utilizing their grant advances.

FIRST 5 LAKE
Statement of Net Position Comparison

	FY 2022-23	FY 2021-22	Difference
Total Assets & Deferred outflows	$ 995,408	$ 920,206	$ 75,202
Total Liabilities& Deferred inflows	253,295	193,597	59,698
Net Position	$ 742,113	$ 726,609	$ 15,504

Statement of Activities Comparison

	FY 2022-23	FY 2021-22	Difference
Total Revenues	$ 641,508	$ 721,145	$ (79,637)
Total Expenses	626,004	579,507	46,497
Prior Period Adjustment	--	(1,214)	1,214
Change in Net Assets	$ 15,504	$ 140,424	$ 124,920

Financial Analysis of the Commission's Governmental Fund

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

For the year-ended June 30, 2023, the Commission reported an ending fund balance of $788,617, a decrease of $18,468 from the prior year. The Commission will use the combined revenues of annual Proposition 10 allocations plus its reserve fund to sustain the current level of programs and services.

Of the fund balance at June 30, 2023, the Commission had committed assets of $61,693, assigned assets of $187,276, non-spendable assets of $85,540 and $454,108 remaining as unassigned.

Total revenue consisting of Proposition 10 funds, interest income, and State Commission matching revenue and local revenue decreased from $662,137 to $587,465 for the year ended June 30, 2023. This decrease was due primarily to the reduction of the IMPACT and other grant revenue and the timing on the Small Population County Funding Agreement.

Total expenditures increased to $626,004 in 2022-23, an increase in spending of $193,530 from the prior fiscal year. The total expenditures increased primarily due to the grantees spending down the advances of grant funds.

Fund Budgetary Highlight

Total revenues were under the final budget by 31% or $261,777, while total expenditures were under budget by 30% or $253,604. The under budget of total revenues was due primarily to the underspending grants received as well as reductions in Proposition 10, 56 and small county population funds Further, the SPCFA funds for three quarters of the 2022-2023 fiscal year were not received until more than 90 days after the year end and therefore were not reported in the fund financial statements. Expenditures for general administrative services and supplies were $60,702 or 10%. The cost of evaluation services was $53,982 or 9%. More information regarding the allocations of costs is reported on page 20 in Note 5 to the financial statements.

The remaining funds were allocated to program design and implementation. First 5 Lake invested $511,320 across multiple programs to positively impact family functioning, child development, child health and early childhood systems in Lake County.

The COVID-19 pandemic continued to impact both service delivery and data collection in 2022-2023. Collectively, F5 Lake investments served 3,017 children, 2,409 parents/caregivers and other family members, and 38 providers.

Family Functioning

- 12 parents and other family members were served with parenting lessons using the Nurturing Parenting Curriculum and/or home visits, impacting the lives of children ages 0 through 5.
- Outreach to families interacting with the Bloom Facebook pages is increasing parents' knowledge of child development had 955 English and 179 Español followers. A survey found that 84% of program participants (n=135) reported trying activities or using the information learned from the Bloom Facebook pages.
- ~ 60% of children 0-4 (n=2,194) in the County were reached by Imagination Library (IL). 93% of parents responding to a survey noted IL has had a significant positive impact or some positive impact on their family.

Child Development

- AmeriCorp Early Learning Supports offered Second Step Early Learning Curriculum for half of the school year to 30 preschoolers aged 3 to 5 years.

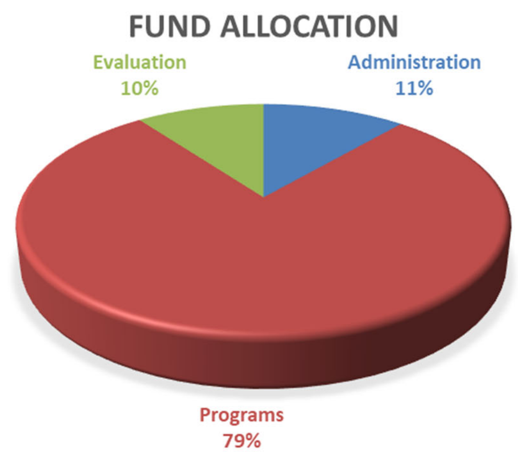
Child Health

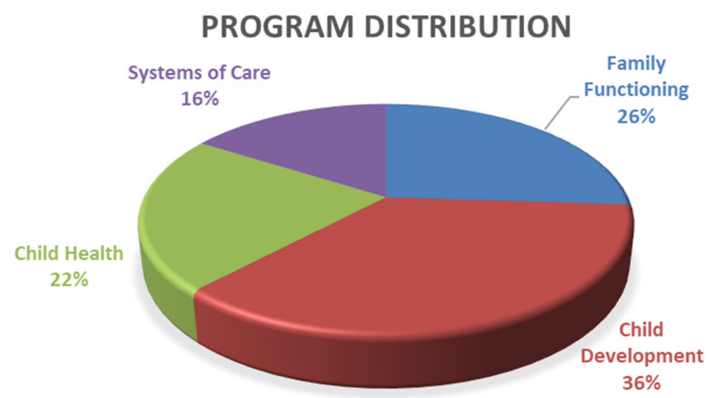
- 537 children were screened for dental issues or were connected to dental supports. Most children screened had no issues. 112 screenings indicated a need for improved oral hygiene and 38 screenings indicated a need for oral health services.
- Early Learning Center served 153 children ages 0 to 5 years through early learning activities, developmental screenings and transportation supports and resource and referrals.
- Safe Sleep classes were held at Sutter Lakeside Hospital to receive concrete supports and improve knowledge of safe sleep practices, however the numbers were too low to report on.

Improved Systems of Care

F5L continued to serve as the backbone organization for the Lake County Smart Start Collective, convening the Collective to receive feedback on the Smart Start Eligibility Wizard (SSEW) – a web-based tool designed to help parents of young children identify the services and programs for which their family is eligible.

F5L used results of previous evaluations to determine how to strengthen programs and understand the needs of families with young children. This included the Maternal, Child, Adolescent Heath Advisory.





Capital Assets and Long-Term Liabilities

Capital Assets

The Commission's investment in capital assets for its governmental activities as of June 30, 2023, amounts to $3,318 (net of accumulated depreciation). This is the net right of use assets recorded under the GASB 87 Lease accounting standard.

More detailed information about the change in the Commission's capital assets is presented in Notes to the financial statements.

Long-Term Liabilities

The Commission's long-term liabilities consist of compensated absences payable of $7,247, the lease liability of $3,747 and the net pension liability of $220,127. More detailed information about the Commission's long-term liabilities is presented in Notes to the financial statements.

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which they are intended as reflected in both its Vision Statement: One day the success of Lake County will be measured by the well-being of its youngest children, and Mission Statement: First 5 Lake builds the early childhood systems and supports needed to ensure Lake County's youngest children are safe, healthy, and ready to succeed in school and life.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2023-2024:

- Due to a change in the way First 5 California will be administering the Small Population County Funding Augmentation, Proposition 10 funding is no longer stabilized at $625,000. Instead, an annual grant in the amount of $161,377 per year, will be available (with annual carryover of

unspent funds allowable), regardless of Prop.10 revenues, and First 5 Lake is required to submit quarterly invoices for actual expenses to receive these funds. The revenue based on the submitted invoices have taken several months/quarters to com in therefore impacting cash flow.
- Projections for tobacco tax revenues are changing as new taxes on tobacco are enacted.
- A ban on flavored tobacco was enacted and is projected to reduce tobacco tax income significantly in years to come, as much as a 30% decline in revenue in the first year.
- General administrative costs will remain below the level established in the Commission's administrative cost policy.
- Opportunities to leverage funds will continue to maximize Proposition 10 funding.

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development, health and family support services for the 0-5 population, not as just another funding source for programs. In that regard, the Commission will continue its practice of evaluating all funded programs to determine what is working or has promise to impact the health and well-being of children. This information in turn will be used to help evaluate the overall impact of Proposition 10 in Lake County. And the result of these evaluation activities will assist the Commission in determining the optimum future services to be provided with its respective future revenues.

Requests for Information

This financial report is designed to provide a general overview of First 5 Lake's 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 First 5 Lake, 1173 Eleventh Street, Lakeport, California 95453.

FIRST 5 LAKE
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2023

	General Fund	Total	Adjustments		Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS:					
ASSETS					
Cash	$ 631,743	$ 631,743	$ -		$ 631,743
Imprest Cash	100	100	-		100
State Fund and Other Receivables	93,177	93,177	113,051	(1)	206,228
Prepaid Program Costs - to be reimbursed	85,540	85,540	-		85,540
Lease Asset - net of depreciation	-	-	3,318	(2)	3,318
Total Assets and Deferred Outflows	$ 810,560	$ 810,560	116,369		926,929
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows from Pensions			68,479	(3)	68,479
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE/NET POSTION:					
LIABILITIES					
Accounts Payable	$ 2,732	$ 2,732	-	(2)	2,732
Payroll Payable	19,211	19,211	-		19,211
Compensated Absences Payable	-	-	7,247	(4)	7,247
Lease Liability	-	-	3,747	(2)	3,747
Net Pension Liability	-	-	220,127	(3)	220,127
Total Liabilities	21,943	21,943	231,121		253,064
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows from Pensions			231	(3)	231
FUND BALANCE					
Nonspendable	85,540	85,540	(85,540)		-
Restricted	-	-	-		-
Committed	61,693	61,693	(61,693)		-
Assigned	187,276	187,276	(187,276)		-
Unassigned	454,108	454,108	(454,108)		-
Total Fund Balance	788,617	788,617	(788,617)		-
Total Liabilities and Fund Balance	$ 810,560	$ 810,560			
NET POSITION					
Restricted			738,795		738,795
Invested in Capital Assets - Net of Depreciation			3,318		3,318
Total Net Position			$ 742,113		$ 742,113

(1) Revenue Receivables not received within ninety days after the fiscal year end are not considered currently available and therefore are not reported in the governmental fund activities until the next fiscal year.

(2) Leases assets net of accumulated depreciation the related lease liability in the governmental activities are not due and payable or receivable in the current period and accordingly are not reported as a fund liability.

(3) Deferred Inflows, Outflows and the Net Pension Liability applicable to the Commission's governmental activities are not due and payable or receivable in the current period and accordingly are not reported as a fund liability.

(4) Compensated absences payable applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as a fund liability.

FIRST 5 LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	General Programs	Governmental Funds Total	Adjustments	Statement of Activities
Revenues:				
State Funding - Prop. 10 & 56 Allocation	$ 442,796	$ 442,796	$ -	$ 442,796
State Funding - SPCFA	71,241	71,241	78,436 (1)	149,677
Grant/Contract Funding	67,145	67,145	(24,393) (1)	42,752
Interest	6,248	6,248	-	6,248
Other Income	35	35	-	35
Total Revenues	587,465	587,465	54,043	641,508
Expenditures:				
Personnel Costs				
Personnel	85,052	85,052	(90,194) (2)	-
Personnel Benefits	38,347	38,347	(53,914) (3)	-
Total Personnel Costs	**123,399**	**123,399**	**(144,108)**	**-**
Other Operating Costs				
Communications	1,570	1,570	(1,570)	-
Insurance	4,310	4,310	(4,310)	-
Interst	132	132	(104) (4)	-
Memberships and Subscriptions	3,988	3,988	(3,988)	-
Office/Household Supplies	852	852	(852)	-
Special Departmental Expense	9,072	9,072	(9,072)	-
Transportation	2,286	2,286	(2,286)	-
Utilities	680	680	(680)	-
Publication	101	101	(101)	-
Depreciation	-	-	(6,601) (4)	-
County Administration Costs	2,500	2,500	(2,500)	-
Debt Service				
Principal Payments on Lease	7,211	7,211	- (4)	-
Total Other Operating Costs	**32,702**	**32,702**	**(32,064)**	-
Professional Fees and Contracts				
Audit	7,200	7,200	(7,200)	-
Evaluation & Assessment	48,351	48,351	(48,351)	-
LCOE Programs	240,228	240,228	(240,228)	-
Easter Seals of the Northern California	154,053	154,053	(154,053)	-
Total Professional Fees and Contracts	**449,832**	**449,832**	**(449,832)**	-
Total Expenditures	**605,933**	**605,933**	**(626,004)**	-
Excess (Deficit) of Revenues over Expenditures	(18,468)	(18,468)		
Expenses				
Administration Expenses			76,754	76,754
Program Expenses			487,089	487,089
Evaluation Expenses			62,161	62,161
Total Expenses			626,004	626,004
Change in Fund Balance/Net Position	(18,468)	(18,468)	33,972	15,504
Fund Balance/Net Position:				
Beginning of the year - as reported	807,085	807,085	(80,476)	726,609
End of the year	$ 788,617	$ 788,617	$ (46,504)	$ 742,113

(1) Revenue Receivables not received within ninety days after the fiscal year end are not considered currently available and therefore are not reported in the governmental fund activities until the next fiscal year.

(2)-(4) Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported in the governmental funds:

(2) Change in accrued vacation is $5,142

(3) Change in Net Pension Liability/Deferred Inflows/Deferred Outflows $15,567

(4) Lease depreciation, interest and payment differences net - $(638)

Note 1: Nature of the Entity

Reporting Entity

First 5 Lake (Commission), originally known as the Lake County Children and Families Commission, was established on December 22, 1998 pursuant to Health and Safety Code §130140. The Commission was also established in accordance with the provisions of the California Children and Families First Act of 1998 and by Lake County Ordinance No. 2452.

The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of information and services to enhance early childhood development.

The Commission includes all activities (operations of its administrative staff and Commission officers) considered to be part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No.14, relating to the financial reporting entity to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

The financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and results of operations of the County of Lake taken as a whole.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation and Accounting

Government-Wide Statements

The statements of net position and statements of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

Notes 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation and Accounting (continued)

Government-Wide Statements (continued)

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 grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when related cash flows take place.

Fund Financial Statements

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 measureable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. 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 sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission reports one major governmental fund, the General Fund. The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

Notes 2: Summary of Significant Accounting Policies (continued)

State Funds Receivable

This amount represents receivables from the State of California First 5 Commission. Management has determined the Commission's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

Compensated Absences

Commission employees have accumulated unpaid benefits for compensatory time-off and vacation earned. The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid; therefore, the total liability is recorded as long-term. In accordance with GASB Statement 16, these amounts are not expected to be liquidated from expendable available financial resources.

Capital Assets

Capital assets have been acquired for general commission purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The Commission defines capital assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are depreciated in the government-wide statements using the straight-line method over their estimated useful lives of 4 years.

Deferred Outflows/Inflows of Resources

In addition to assets the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. The Commission only has one item that qualifies for reporting in this category, which is deferred outflows of resources related to the pension plan which represents a reclassification of current year's pension contributions, all of which will be amortized during the next fiscal year and other changes as noted below and amortized over multiple years.

Notes 2: <u>Summary of Significant Accounting Policies</u> (continued)

Basis of Presentation and Accounting (continued)

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The Commission only has one item that qualifies for reporting in this category, related to the pension plan, which is noted below and amortized over future years.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the Commission's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by 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.

Net Position

The government-wide financial statements utilize a net position presentation. The net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all the capital assets into one component of the net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted* – This category represents resources with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This category represents resources of the Commission, not restricted for any project or other purpose.

Notes 2: Summary of Significant Accounting Policies (continued)

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

- **Nonspendable –**

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example

  - Assets that will never convert to cash, such as prepaid items and inventories of supplies;
  - Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
  - Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

- **Restricted –**

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include

  - Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 CA under specific agreements for services, or matching funds for specific initiatives.
  - Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
  - Amounts collected from non-spendable items, such as the long term portion of loan outstanding, if those amounts are also subject to legal constraints.
  - Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

- **Committed –**

Two criteria determine the Committed fund balance:

1. Use of funds is constrained by limits imposed by the government's highest level of decision making. The highest level of decision making for Proposition 10 funds is the First 5 Lake Commission.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Commission) that established the constraints.

Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon. For First 5 organizations, resources in this category would include:

- Resources committed for a future initiative as long as commission action is also required to remove this commitment.
- Resources that have been committed by a commission for specific agreements that have not yet been executed, where commission action is also required to remove this commitment.
- Resources committed as the local match for a State Commission initiative.

- **Assigned –**

The assigned portion of the fund balance reflects a commission's intended use of resources, which is established either by the county First 5 Commission, a body created by the commission, such as a commission finance committee, or an official designated by the commission (e.g., an Executive Director). The "assigned" component is similar to the "committed" component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of First 5 Commission	Yes	No
Formal action of Commission is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period	Yes	No

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Consequently, tobacco tax revenues would not automatically be placed in the "committed" component Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year's budget, where the Executive Director may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the commission has approved a plan or budget.
- Resources approved by a commission for a long range financial plan where formal approval is not required to modify the amount.

First 5 Lake can assign amounts under this category, and may also authorize the Executive Director to assign amounts under this category when that decision is consistent with the approved long term financial plan.

- **Unassigned –**

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 3: Credit Risk, Carrying Value and Market Value of Investments

Cash at June 30, 2023 consisted of the following:

Cash in County treasury	$ 631,743
Imprest cash	100
Total cash and investments	$ 631,843

The Commission maintains all of its cash and investments with the Lake County Treasurer in an investment pool. The County of Lake is an external investment pool for the Commission and the Commission is considered an involuntary participant. The Commission does not own any specific identifiable investments in the pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake's Auditor-Controller's office at 255 N. Forbes Street, Lakeport, California 95453. The Lake County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2022, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The fair value of cash was the same as the carrying value; therefore no adjustment was necessary for GASB 31 compliance.

Pooled Investments:	Carrying Amount
Lake County	$ 631,743

Note 4: Related Party Transactions and Lease Obligations

During the fiscal year ended June 30, 2023, the Commission paid the County of Lake, a related party, $2,500 for accounting and risk management services.

Note 4: Related Party Transactions and Lease Obligations (continued)

Lease agreements are summarized as follows:

Describe	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2023
Office Bldg	1/1/2019	5 years	$ 7,236	3.14%	$33,003	$3,747

The Commission executed a lease agreement for the building which currently houses operations. The lease has a five-year term with monthly rental payments of $560 and an annual increase of 3%. The lease did not have a stated interest rate so the Commission used the IRS applicable rate for January 2019 for mid-term loans. The lease requires quarterly payments of other costs of occupancy, such as utilities, maintenance, security, etc.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year ending June 30	Principal	Interest
2024	$ 3,747	$ 34
Total	$ 3,747	$ 34

The lease agreement is with an organization that is also a grantee of the Commission. The grantee organization had a grant advance of $60,668 carried into 2022-2023, received $105,333 in additional grant funds, and was required to reimburse the Commission for $5,303 of unused grant funds at the end of the contract.

Note 5: Program Evaluation – Allocation of Costs

The Commission allocated costs between administrative, program and evaluation activities. Direct costs are expensed directly to the category. Indirect costs are allocated based on the amount of time staff spends on each activity. Personnel costs are allocated based on the amount of time spent on those activities. The adjustment between the general fund expenses and the government-wide expenses were the change in the accrued vacation of $5,142, the change in net pension liability/deferred inflows/deferred outflows of $15,567 and the difference in the interest and payments on the lease of $638. The expenses were allocated as follows:

	General Fund	Adjustment	Government-Wide
Program	$ 475,906	$ 11,183	$ 487,089
Administrative	68,694	8,060	76,754
Evaluation	61,333	828	62,161
Total	$ 605,933	$ 20,071	$ 626,004

Note 6: Pension Obligation Including GASB Statement No. 68

The Commission has contracted with the County of Lake for Human Resources and Personnel Services for the Commission. As such, the County of Lake is the employer of record for the employees working at the Commission. The contract with the County of Lake allows the employees to receive the rights and benefits of all other County employees. The Commission reimburses the County for costs associated with the employees in the Commission. The Commission paid or accrued the following amounts for the County for personnel costs for the year ended June 30, 2023.

	General Fund	Government-wide
Salaries	$ 85,052	$ 90,194
Retirement Benefits - CalPERS	20,286	35,853
Health Benefits	10,650	10,650
Taxes and Workers' Compensation	7,411	7,411
Total	$ 123,399	$ 144,108

The difference between the general fund and government-wide figures is the changed in compensated absences of $5,142 and the net change in the pension activity of $15,567.

As employees of the County of Lake, the Commission employees participate in the retirement benefits of the County of Lake as follows:

Plan Description -
The Commission reimburses the County for contributions to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. PERS issues a separate comprehensive financial report. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy -
Active plan members in the PERS are required to contribute 7% of their annual covered salary. The Commission is required to reimburse the County for the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

Note 6: Pension Obligation Including GASB Statement No. 68 (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Commission reported a net pension liability of $220,127 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability 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 proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. At June 30, 2022 and June 30, 2021, the Commission's proportionate share of the County of Lake's net pension liability was 0.2656% and 0.2617%, respectively.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Commission recognized pension expense of $30,927. 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 Resources	Deferred Inflows Resources
Differences between expected and actual experience	$ 2,516	$ (231)
Change in Assumptions	15,277	--
Net difference between projected and actual earnings on pension plan investments	30,400	--
Employer contributions paid by Commission subsequent To the measurement date	20,286	--
TOTAL	$ 68,479	$ (231)

The $20,286 reported as deferred outflows of resources related to the pension resulting from the Commission's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction in the net pension liability in the measurement year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense(income) as follows:

Years Ending June 30	
2023	$14,743
2024	12,408
2025	2,236
2026	18,575
Thereafter	--
Total	$47,962

Note 6: Pension Obligation Including GASB Statement No. 68 (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Change of Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS considered long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

Note 6: Pension Obligation Including GASB Statement No. 68 continued

The expected real rates of return by asset class are as follows:

Asset Class (A)	Assumed Asset Alloc.	Real Return (A,B)
Global Equity – Cap-weighted	30.00%	4.54%
Global Equity – Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

(A) An expected inflation of 2.3% used for this period
(B) Figures are based on the 2021 Asset Liability Management study.

Sensitivity of the Commission's proportionate share of the County's net pension liability to changes in the discount rate

The following table presents the Commission's proportionate share of the County's net pension liability calculated using the discount rate of 6.90 percent, as well as what the Commission's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1.00% Decrease (5.90%)	Current Discount Rate (6.90%)	1.00% Increase (7.90%)
Commission's proportionate share of the County's net pension liability	$ 323,257	$ 220,127	$ 134,641

Pension plan changes in the net pension plan liability and pension plan fiduciary net position

Detailed information about the County's collective net pension liability and plan fiduciary net position is available in the County's separately issued Comprehensive Annual Financial Report (CAFR). The County of Lake's financial statements may be obtained by contacting the County of Lake, 255 North Forbes St., Lakeport, CA 95453.

Actuarial Assumptions to Determine Total Pension Liability

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Note 6: Pension Obligation Including GASB Statement No. 68 continued

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	2.5%
Payroll Growth	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.00%
(1) Net of pension plan investment expenses, including inflation	

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 the Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Note 7: Retiree Medical Plan – Other Postemployment Benefits

Plan Description. The Commission is a participant in the County of Lake's Retiree Medical Plan (the Plan). The County of Lake Retiree Healthcare Plan (the Plan) provides postemployment medical and dental insurance to retired employees through a multiple-employer defined benefit OPEB plan. Medical insurance benefits are administered by the California Public Employee's Retirement System, (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California, in accordance to the Public Employees Medical and Hospital Care Act (PEMHCA).

Because the employees are employees of the County and not the Commission directly the County reports on these benefits in the County's annual financial statements.

Note 8: 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 lines for both general liability and workers' compensation coverage through the County of Lake.

Note 9: Section 30131.4 of the California Tax & Revenue Code Certification

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

Note 10: Commitments and 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. These programs must be in compliance with the applicable laws and may be subject to financial and compliance audits by the State. Although such audits could generate expenditure disallowances under terms of the state codes, it is believed that any required reimbursements will not be material. A substantial amount of the Commission's funding is received from the state government. Loss of this support would have a significant impact on the Commission's ability to provide its program services.

Note 11: Uncertainties

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Commission's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Commission's partner agencies, the County offices and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Commission's financial position and changes in net position/fund balances is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 12: Subsequent Event

Events subsequent to June 30, 2023 have been evaluated through January 24, 2024, the date at which the financial statements were available to be issued. There were no events through this date that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	GENERAL PROGRAM ORIGINAL & FINAL BUDGET	GENERAL PROGRAM ACTUAL	VARIANCE WITH FINAL BUDGET UNDER/(OVER)
REVENUES			
Annual Tobacco Tax Income	$ 460,865	$ 442,796	$ 18,069
SPCFA	161,377	71,241	90,136
Grants and Contracts	225,000	67,145	157,855
Interest	2,000	6,248	(4,248)
Other Income	-	35	(35)
TOTAL REVENUES	**849,242**	**587,465**	**261,777**
Expenditures:			
Personnel Costs			
Personnel	128,288	85,052	43,236
Personnel Benefits	65,350	38,347	27,003
Total Personnel Costs	193,638	123,399	70,239
Other Operating Costs			
Communications	1,740	1,570	170
Insurance	4,311	4,310	1
Memberships and Subscriptions	4,088	3,988	100
Office/Household Supplies	2,600	852	1,748
Rents for Occupancy	7,450	7,343 *	107
Special Departmental Expense	133,968	9,072	124,896
Title IV-E Projects	85,000	-	85,000
Transportation	7,220	2,286	4,934
Utilities	3,250	680	2,570
Publication	500	101	399
Inventory items	1,500	-	1,500
County Administration Costs	4,000	2,500	1,500
Total Other Operating Costs	255,627	32,702	222,925
Professional Fees and Contracts			
Audit	6,500	7,200	(700)
Evaluation & Assessment	46,944	48,351	(1,407)
LCOE Programs	214,295	240,228	(25,933)
Easter Seals of the Northern California	105,333	154,053	(48,720)
Sutter Lakeside Hospital - Smart Start	37,200	-	37,200
Total Professional Fees and Contracts	410,272	449,832	(39,560)
Total Expenditures	**859,537**	**605,933**	**253,604**
Excess of Revenues over Expenditures			
Change in Fund Balances	(10,295)	(18,468)	
Fund Balance			
Beginning of the year	807,085	807,085	
End of the year	$ 796,790	$ 788,617	

* Due to change in accounting standards, rents are now reported as debt service payments and interest. For the purposes of the budget formatting the payment have been combined and reported under rents.

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Commissioners in June of the prior fiscal year.

After the budget is approved, the Commission's executive director is authorized to adjust a line item appropriation in an amount not to exceed 15% of the approved appropriation. All amounts greater than 15% require Commission approval. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year in the modified accrual basis of accounting. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years and included in the subsequent years' budgets. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, rent and utilities, and other program expenditures.

FIRST 5 LAKE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS
YEAR ENDED JUNE 30, 2023

Measurement date June 30, :	2022	2021	2020	2019	2018	2017	2016	2015	2014
Commission's proportion share of the net pension liability (asset)	0.2656%	0.2617%	0.3168%	0.3192%	0.3062%	0.2198%	0.2564%	0.1461%	0.1662%
Commission's proportionate share of the net pension liability (asset)	$220,127	$105,195	$226,449	$215,145	$192,388	$140,485	$128,099	$55,381	$57,371
Commission's covered-employee payroll	$104,111	$ 96,989	$115,749	$114,284	$109,231	$ 81,110	$ 86,007	$48,042	$52,189
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	211.43%	108.46%	195.64%	188.25%	176.13%	173.20%	148.94%	115.28%	109.93%

Schedule of Plan Contributions for Fiscal Years Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	$ 25,428	$ 22,253	$ 23,768	$ 20,677	$ 16,939	$ 11,345	$ 12,663	$ 7,216	$ 6,509
Contributions in relation to the actuarially determined contribution	$ (25,428)	$ (22,253)	$ (23,768)	$ (20,677)	$ (16,939)	$ (11,345)	$ (12,663)	$ (7,216)	$ (6,509)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered-employee payroll	$104,111	$ 96,989	$115,749	$114,284	$109,231	$ 81,110	$ 86,007	$48,042	$52,189
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.42%	21.67%	21.67%	20.23%	18.67%	16.08%	20.87%	13.77%	12.96%

FIRST 5 LAKE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE COMMISSION'S PROPORTIONATE SHARE OF THE CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023

Measurement date June 30, :	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability (Commission's proportionate share of County)	0.2656%	0.2617%	0.3168%	0.3192%	0.3062%	0.2198%	0.2564%	0.1461%	0.1662%
Service cost	$ 17,740	$ 15,441	$ 18,520	$ 18,469	$ 17,674	$ 13,276	$ 12,853	$ 7,299	$ 8,313
Interest on total pension liability	53,254	50,583	59,154	57,613	52,694	36,493	40,191	21,887	23,867
Assumption Changes	23,765	-	-	-	(3,787)	29,088	-	(5,056)	-
Actual vs. expected experience	3,914	(800)	(2,745)	6,381	(1,414)	9,083	(1,036)	(2,407)	-
Benefit payments, including refunds of employee contributions	(43,423)	(39,808)	(47,256)	(43,570)	(39,411)	(25,820)	(27,622)	(14,977)	(15,701)
Net change in total pension liability	55,250	25,416	27,673	38,893	25,756	62,120	24,386	6,746	16,479
Total pension liability - beginning	745,849	872,117	850,841	778,808	540,616	558,185	304,159	338,330	321,851
Change in proportions (% of Cnty)	11,110	(151,684)	(6,397)	33,140	212,436	(79,689)	229,640	(40,917)	-
Total pension liability - ending (a)	$812,209	$745,849	$872,117	$850,841	$778,808	$540,616	$558,185	$304,159	$338,330
Plan Fiduciary Net Position									
Contributions – employer (proportionate)	$ 25,428	$ 22,253	$ 23,768	$ 20,686	$ 16,937	$ 11,345	$ 12,663	$ 8,185	$ 6,509
Contributions – employee(proportionate)	8,667	7,166	8,158	8,080	7,510	5,453	6,231	3,292	3,493
Net investment income	(48,384)	118,201	30,971	39,562	46,539	41,017	2,281	5,562	42,244
Benefit payments	(43,423)	(39,808)	(47,256)	(43,570)	(39,411)	(25,820)	(27,622)	(14,977)	(15,701)
Administrative expense	(405)	(534)	(889)	(436)	(869)	(544)	(266)	(280)	-
Other Misc Income/(Expense)	2	7	-	1	(1,649)	(5)	197	5	-
Net change in plan fiduciary net position	(58,115)	107,285	14,752	24,323	29,057	31,446	(6,516)	1,787	36,545
Plan fiduciary net position - beginning	640,654	645,668	635,696	586,420	400,131	430,076	248,777	281,028	244,483
Change in proportions (% of Cnty)	9,543	(112,299)	(4,780)	24,953	157,232	(61,391)	187,815	(34,038)	-
Plan fiduciary net position - ending (b)	$592,082	$640,654	$645,668	$635,696	$586,420	$400,131	$430,076	$248,777	$281,028
Net pension liability - ending (a)-(b)	$220,127	$105,195	$226,449	$215,145	$192,388	$140,485	$128,099	$ 55,382	$ 57,371
Plan fiduciary net position as a percentage of the total pension liability	72.90%	85.90%	74.03%	74.71%	75.30%	74.01%	77.05%	81.79%	83.05%

FIRST 5 LAKE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

1.) Changes of Benefit Terms

The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report. The report was obtained by the County of Lake.

2.) Notes to Schedule of Plan Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 21-22 were derived from the June 30, 2019 funding valuation report.

Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Inflation	2.5%
Payroll Growth	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.0% -net of pension plan investment and administrative expenses; includes inflation
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

3.) Changes of Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS considered long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

OTHER SUPPLEMENTARY INFORMATION

FIRST 5 LAKE
SCHEDULE OF EXPENDITURES BY FUND SOURCE AND NET POSITION OF CALIFORNIA CHILDREN AND FAMILIES COMMISSION FUNDS FOR FIRST 5 PROGRAMS AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Revenue F5CA Funds	Expenditures	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
Small Population County Funding	$ 71,241	$ 149,678	$ (78,437)	$(34,615)	$(113,052)

Revenue Receivables not received within ninety days after the fiscal year end are not considered currently available and therefore are not reported in the governmental fund activities until the next fiscal year. The fourth quarter funding for the small population county funding agreement was not received within the ninety days after the fiscal 2021-2022 and was therefore reported in fiscal year 2022-2023. The second, third and fourth quarter funding for the small population county funding agreement were not received within the ninety days after the fiscal year and will be reported in fiscal year 2023-2024.

FIRST 5 LAKE
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

There were no findings in the prior year report for the year ended June 30, 2022.

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

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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*
INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 Lake
Lakeport, 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 First 5 Lake (Commission), 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 January 24, 2024.

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.

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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jensen Smith

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
January 24, 2024

Jensen Smith
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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
First 5 Lake
Lakeport, California

Report on Compliance

Opinion

We have audited First 5 Lake's (Commission) 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, First 5 Lake (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 Benefit Policies	2	Yes

We are required to communicate with those charged with governance regarding, amount 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.

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
January 24, 2024

Jensen Smith
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January 24, 2024

Board of Commissioners
First 5 Lake
Lakeport, California

Dear Ladies and Gentlemen,

Thank you for your confidence in choosing our firm for your auditing needs. It was a pleasure working with your staff and seeing the changes being made. The audit progressed smoothly this year, even with the delays from the County regarding the pension liability calculations.

In planning and performing our audit of the financial statements of First 5 Lake for the year ended June 30, 2023 we considered First 5 Lake's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We previously reported on First 5 Lake's internal control in our report dated January 24, 2024. This letter does not affect our report dated January 24, 2024, on the financial statements or internal control of First 5 Lake.

We want to thank your staff for their assistance in completing the audit and their quick responses to our inquiries. We were delighted to see your continued contributions to services for children ages 0-5. We wish you success in the 2023-2024 fiscal year.

Sincerely,

Jensen Smith

Jensen Smith
Certified Public Accountants, Inc.