TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION

(FIRST 5 TEHAMA)

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2024

HARSHWAL® & COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

TABLE OF CONTENTS
JUNE 30, 2024

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
COMMISSION MEMBERSHIP
JUNE 30, 2024

Name	Position	Date of Original Appointment	Current Term Expires
Pati Nolen	Board of Supervisors Representative	01/24/2023	No Set Term
Bekkie Emery	Social Services Director	07/28/2024	No Set Term
Jayme Bottke	Health Services Executive Director	02/15/2022	No Set Term
Richard DuVarney	Depart. of Education Superintendent	05/23/2016	No Set Term
Michaele Brown	Public-At-Large representative	06/13/2023	01/31/2026
Jennifer Torres	Public-At-Large representative	02/26/2019	01/31/2026
Delcie Strahan	Public-At-Large representative	05/25/2021	01/31/2027
Michelle Kinner	Public-At-Large representative	02/26/2019	01/31/2025
Tiffany Dietz	Public-At-Large representative	08/23/2022	01/31/2025

HARSHWAL® & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Tehama County Children and Families Commission
First 5 Tehama
Red Bluff, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and general fund of First 5 Tehama (the "Commission"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and general fund information of the Commission, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 on pages 5 - 8, Budgetary Comparison Schedule on page 29, Schedule of Proportionate Share of Net Pension Liability on pages 31 - 34 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 accompanying schedule of revenue, expenditures and changes in fund balances by fund source for (SPCFA) funding 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 supplementary information 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 October 29, 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 the Commission's internal control over financial reporting and compliance.

Harshwal & Company LLP

Oakland, California
October 29, 2024

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

On November 3, 1998, California voters approved Proposition 10 - the Children and Families First 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 from prenatal through age five. The intent is for all California children to be healthy, live in a healthy and supportive family environment, and to enter school ready to learn.

The Tehama County (County) Board of Supervisors created the First 5 Tehama (the "Commission") also known as the Tehama County Children and Families Commission, in 1999 under the provisions of the Act. The Commission consists of nine members appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County and is not considered a component unit of the County.

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, 2024.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. These financial statements comprise three components: (1) Governmental activities financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

In this report, the governmental activities financial statements are represented on pages 9-10 and the fund financial statements for the Commission are presented on pages 11-14.

Governmental Activities Financial Statements

The government activities 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.

Statement of Net Position:

This statement presents information on all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

Statement of Activities:

The statement of activities presents information demonstrating how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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).

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 all 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 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.

Fund Financial Statements - Cont'd

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. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

Notes to Basic 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 on basic financial statements can be found on pages 15-28 of this report.

Governmental Activities 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 $1,164,407 at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash in-county treasury balance $1,550,445. This represents resources received from the State Commission from Proposition 10 taxes that have not been expended; however, of the Commission's net position, $109,481 are considered restricted, and $1,055,250 are considered unrestricted, in accordance with the adopted policies under GASB 54. Cash and investments are maintained in the County's cash and investment pool, where interest earned on the Commission balance is apportioned to the Commission. The Commission also reports accounts payable of $144,477 representing payments including due on vendor's services contracts.

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into one category only, *governmental funds*.

The Commission's net assets decreased overall by $7,032 during the 2023-2024 fiscal year. This decrease is explained in the governmental fund analysis below and is primarily a result of excess expenses over revenues for the current year.

STATEMENT OF NET POSITION COMPARISON

	2024	2023	Change
Total Assets	$ 1,862,288	$ 1,690,543	$ 171,745
Total Liabilities	697,881	519,104	178,777
Net Assets	$ 1,164,407	$ 1,171,439	$ (7,032)

Governmental Activities Financial Analysis - Cont'd

STATEMENT OF ACTIVITIES COMPARISON

	2024	2023	Change
Total Revenues	$ 1,004,196	$ 976,684	$ 27,512
Total Expenses	1,011,228	1,047,779	(36,551)
Change in Net Assets	$ (7,032)	$ (71,095)	$ 64,063

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, 2024, the Commission reported an ending fund balance of $1,511,180, an increase of $23,198 from the prior year. This increase represents the amount of revenues in excess of expenditures for the year ended June 30, 2024.

Total revenue consisting of Proposition 10 funds, interest income, and State Commission matching revenue increased from $976,684 to $1,004,196 for the year ended June 30, 2024. The increase was due to the Commission's budgeting in anticipation of a significant decline in Tobacco Tax revenues following 2027.

Total expenditures increased to $1,008,498, an increase of $50,199 from the prior fiscal year. Total expenditures, encompassing both program and administrative costs, increased due to higher funding for programs, which included additional personnel and related administrative expenses within the grant programs.

Fund Budgetary Highlight

Total revenues fell short of the budget by 9% or $103,985, while total expenditures also fell short the budget by 5% or $51,346. The deficit budgeting of total revenues was due to the use of a higher estimated percentage of revenue decline in our projection calculations. The majority of the budget's total expenditures represent funds designated for local and state initiatives, which also impacted services and supplies.

Capital Assets and Long-Term Liabilities Capital Assets

Capital Assets: As of June 30, 2024, the Commission did not have any capital assets that exceeded its capital asset threshold of $5,000. More detailed information about the Commission's capital assets is presented in Note 3 of the basic financial statements on page 22 of this report.

Lease Assets: The Commission has one property under Right-to-use lease assets. More detailed information about the Commission's leased assets is presented in Note 4 of the basic financial statements on page 23 of this report.

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children 0-5 and their families to have hope, resilience and thrive.

Economic Factors and Next Year's Budget - Cont'd

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

- State projections of Annual Tobacco Tax Revenue.
- Small County Augmentation Revenue - Total grant (4.25 years) $440,456 for FY's 2021-2024.
- Interest earnings averaged at 0.921%.
- Inflation rate of 1% applied to Administration.
- Evaluation set at $28,500 with additional funds for evaluation related scope as needed with additional grant funded projects.
- System impact program, Help Mc Grow annual funding set at $299,073, requiring a $15,000 match, increasing if external funds are available
- Review contributions to Community Strengthening funding activities of $40,000 annually increasing as additional funds and external grants become available.

At their March 27, 2023 midyear Commission Meeting including Long Range (i.e. Strategic Planning) review, First 5 Tehama affirmed their decision to sustain our multi-year system investments in the following:

- Help Me Grow, organization service providers Tehama County Department of Education and 211 United Way NorCal;
- Early Intervention Partnership and subsidiary collaborations/ coalitions (Car seat Coalition, Pregnancy to Preschool Partnership) including leadership, facilitation and coordination services provided in-house;
- Parent Education Primarily Positive Parenting Program lead, facilitated and coordinated in house. Outside organization service providers primarily include Tehama County Department of Education and Northern Child Development Incorporate as well as additional organizational service providers reviewed annually.
- Community Strengthening activities including but not limited to early literacy initiative (book club/ literacy outreach) coordinated in-house, and yearly identified programs to promote strategic planning goals from multiple organizational service providers reviewed annually.
- In June of 2021 the Commission approved a budget including a last year of School Readiness to grow into Help Me Grow/School Readiness until the remaining of the 2022- 2027 Strategic Plan, identifies a long-term investment in Help Me Grow.

Proposition 10 funds are expected to decline drastically over time due to declining tobacco sales in California. In order to sustain the Commission operations, priority strategies and initiatives in the presence of declining revenue, the Commission will seek out additional funding to support program, administrative and evaluation expenses at the discretion of the Commission.

Requests for Information

This financial report is designed to provide a general overview of First 5 Tehama those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to First 5 Tehama, 807 Lincoln Street (P.O. Box 858), Red Bluff, California, 96080.

BASIC FINANCIAL STATEMENTS

GOVERNMENTAL ACTIVITIES FINANCIAL STATEMENTS

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS	
Cash and investments	$ 1,550,445
Interest receivable	6,927
Due from other government	215,702
Prepaid expenses	3,833
Right-to-use lease assets, net	16,042
Total assets	1,792,949
DEFERRED OUTFLOWS OF RESOURCES	
Pension	69,339
Total deferred outflows of resources	69,339
Total assets and deferred outflows of resources	1,862,288
LIABILITIES	
Accounts payable	144,477
Accrued payroll	10,250
Deferred revenue	111,000
Compensated absences	17,137
Net pension liability	393,658
Lease liabilities	16,366
Total liabilities	692,888
DEFERRED INFLOWS OF RESOURCES	
Pension	4,993
Total deferred inflows of resources	4,993
Total liabilities and deferred inflows of resources	697,881
NET POSITION	
Net investment in capital assets	(324)
Restricted	109,481
Unrestricted	1,055,250
Total net position	1,164,407
Total liabilities, deferred inflows of resources and net position	$ 1,862,288

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

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

PROGRAM EXPENSES	
Salaries and benefits	$ 445,317
Program expenses	79,955
Services and supplies	78,892
Program readiness	290,683
Community strengthening and building	61,626
Rent and utilities	5,699
Depreciation and amortization	12,473
Interest expenses	866
Program evaluation	35,717
Total expenses	1,011,228
PROGRAM REVENUES	
Proposition 10 small county and investment income	78,443
Proposition 10 apportionment	439,863
Miscellaneous grant	170,492
Miscellaneous revenue	276,895
Total revenues	965,693
Excess (deficiency) of revenues over expenditures	(45,535)
GENERAL REVENUES	
Interest income	38,503
Total general revenues	38,503
Net change in fund balances	(7,032)
Fund balances - beginning of year	1,171,439
Fund balances - end of the year	$ 1,164,407

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

FUND FINANCIAL STATEMENTS

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024

ASSETS	
Cash and investments	$ 1,550,445
Interest receivables	6,927
Due from other government	215,702
Prepaid expenses	3,833
Total assets	1,776,907
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	144,477
Accrued salaries and benefits	10,250
Deferred revenue	111,000
Total liabilities	265,727
FUND BALANCES	
Non-Spendable	3,833
Restricted	109,481
Committed	282,235
Assigned	1,115,631
Total fund balances	1,511,180
Total liabilities and fund balances	$ 1,776,907

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

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Fund balances - Total governmental funds	$ 1,511,180
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Leased assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	16,042
Deferred outflows of resources related to the net pension liability	69,339
Deferred inflows of resources related to the net pension liability	(4,993)
Liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. Liabilities at year end consist of:	
Lease liabilities	(16,366)
Net pension liability	(393,658)
Compensated absences	(17,137)
Net position - governmental activities	$ 1,164,407

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

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

REVENUES	
Proposition 10 small county and investment	$ 78,443
Proposition 10 apportionment	439,863
Miscellaneous grant	170,492
Miscellaneous revenue	276,895
Interest income	38,503
Total revenues	1,004,196
EXPENDITURES	
Salaries and benefits	416,426
Program expenses	79,955
Services and supplies	78,892
Program readiness	290,683
Community strengthening and building	61,626
Rent and utilities	16,833
Interest expenses	866
Program evaluation	35,717
Capital Outlay	27,500
Total expenditures	1,008,498
Excess (deficiency) of revenues over expenditures	(4,302)
OTHER FINANCING SOURCES (USES)	
Proceeds from right-to-use leased assets	27,500
Total other financing sources (uses)	27,500
Net change in fund balances	23,198
Fund balances - beginning of year	1,487,982
Fund balances - end of year	$ 1,511,180

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

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net changes in fund balances - total governmental funds	$ 23,198
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some 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 fund.	
Change in PERS retirements	(23,932)
Depreciation and amortization	(12,473)
Change in compensated absences	(4,959)
Some expenses reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in governmental fund.	
Principal payment of lease liability	11,134
Change in net position - governmental activities	$ (7,032)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Reporting Entity

First 5 Tehama (the "Commission") originally known as the Tehama County Children and Families Commission was established on March 02, 1999 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 Tehama County Ordinance #1702. The nine members of the Commission are appointed by the Tehama County Board of Supervisors.

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 a 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 Tehama taken as a whole.

B. Basis of Presentation and Accounting

Governmental Activities Financial Statements

The Statement of Net Position and Statement of Activities display information about the Commission. These statements include the financial activities of the overall government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues would include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of the programs. Revenues that are not classified as program revenues, including all kinds of taxes, are presented as general revenues. The comparison of program revenues and direct expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Commission.

When both restricted and unrestricted net positions are available, restricted resources are used only after the unrestricted resources are depleted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

B. Basis of Presentation and Accounting - Cont'd

Fund Financial Statements

Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. There are separate statements for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column in the proprietary fund financial statements. The Commission has one fund, the general fund which is categorized as governmental fund. There are no proprietary nor fiduciary funds.

Governmental Funds

The Commission reports one major governmental fund:

- General Fund is the primary operating fund of the Commission and is always classified as a major fund. It is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Commission that are not accounted for through other funds. For the Commission, the General Fund’s primary activity is health and sanitation.

C. Measurement Focus and Basis of Accounting

The Commission's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's more significant accounting policies are described below.

The governmental activities financial statements (i.e. The Statement of Net Position and The Statement of Activities on pages 9 and 10 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 the related cash flows. Contributions to community outreach projects through local contractors are recognized as expenditures when criteria for contract payments are met by the contractors.

The Statement of Net Position presents the Commission's financial position in a net position approach.

Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position is classified as net investment in capital assets, restricted, or unrestricted. Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

C. Measurement Focus and Basis of Accounting - Cont'd

The Statement of Activities reports the change in net position in a net program cost format to demonstrate the degree to which the expense of the Commission is offset by its program revenues (page 10) in the categories of 1) Proposition 10 small county, 2) Proposition 10 apportionment, 3) Multilingual grant.

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 on pages 11 and 13. 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 considered to be available when they are collectible within 90 days of the end of the current fiscal period. Revenues susceptible to accrual include tax revenue, grants, and investment income. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

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.

D. Budgets and Budgetary Accounting

The Commission prepares its budget on the basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the Budgetary Comparison Schedule - General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as expenditures under the budgetary basis.

These budgets are revised by the Commission's governing body during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements. For the year ended June 30, 2024, there was no budget overrun for General Fund.

E. Cash and Investments

The Commission considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pooled Cash – Cash accounts consist of local bank accounts and funds maintained by the Tehama County Treasurer's Office. Available cash balances held with the County are controlled and invested by the County Treasurer in pooled investment funds in order to provide safety, liquidity, and high investment returns for all funds. Interest earnings from these funds are generally credited to the Commission's account on a quarterly basis.

The Tehama County Treasurer's investment policy is in compliance with Section 53635 of the Government Code of the State of California, which permits investments in certain securities and participation in certain investment trading techniques or strategies.

F. Receivables

Accounts receivable represents amounts due from grantees and other governmental agencies. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

G. Deferred Income

Unearned or deferred grant revenue consists of grant funds received from the grantor organization that have not yet been earned at year-end.

H. Compensated Absences

The Commission employees have unpaid vested benefits for compensatory time-off and vacation earned. The benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these benefits will be funded from appropriations of the year in which they are to be paid. In accordance with GASB 34, these amounts are not expected to be liquidated from expendable available financial resources.

I. 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 as assets with an initial individual cost of more than $1,500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives of 5 years in the government-wide statements.

J. Equity Classifications

In government-wide and proprietary fund financial statements, equity is classified as net position and divided into three components:

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of 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 Net Position* – This category presents 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 Net Position* – This category represents the net position of the Commission, not restricted for any project or other purpose.

Governmental funds report fund balances in classifications based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable Fund Balance* - includes amounts that are (a) not in spendable forms, such as inventory, prepaid amounts, or long-term notes receivable, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity. The “not in spendable form” criterion includes items that are expected to be converted to cash.
- *Restricted Fund Balance* - constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restriction may effectively be changed or lifted only with the consent of resource providers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

J. Equity Classifications - Cont'd

- *Committed Fund Balance* - amounts that can only be used for the specific purposes determined by formal action of the Commission's highest level of decision-making authority, the Board. Commitments may be changed or lifted by the Commission taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* - comprises amounts intended to be used by the Commission for specific purposes that are neither restricted nor committed. The intent is expressed by (a) the Commission's Board or (b) a body (e.g., a budget or finance committee) or official to which the Commission's Board has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances. The Commission does not have an assigned fund balance.
- *Unassigned Fund Balance* - is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. The Commission does not have an unassigned fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

K. Estimates

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

L. Leases

Lessee

At the commencement of a lease, the Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight line basis over its useful life.

Key estimates and judgments related to leases include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Commission is reasonably certain to exercise.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

L. Leases - Cont'd

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with intangible capital assets and lease liabilities are reported with long-term lease liability on the statement of net position.

Lessor

At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Commission determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Commission uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Commission monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

M. New Accounting Pronouncement

During the year ended June 30, 2024, the Commission implemented GASB Statement No. 99, Omnibus 2022, and Statement No. 100, Accounting Changes and Error Corrections. The adoption of these pronouncements did not have a material effect on the financial statements for the year ending June 30, 2024.

The Governmental Accounting Standards Board (GASB) has approved the following:

Statement No. 101, Compensated Absences

Statement No. 102, Certain Risk Disclosures

Statement No. 103, Financial Reporting Model Improvements

The Commission is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2024, were as follows:

Cash in County Treasury	$ 1,550,445
Total	$ 1,550,445

The Commission maintains all of its cash and investments with the Tehama County Treasurer in an investment 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 Tehama's financial statements may be obtained by contacting the County of Tehama's Auditor-Controller's office at 444 Oak Street, Room J, Red Bluff, California 96080. The Tehama County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2024, were as follows:

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The Commission has no investment policy that would further limit its investment choices.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. California Government Code, Section 53601, limits the County's investment to maturities of five years. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Investment in County Investment Pool - The Commission is a participant in the County Investment Pool. 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 for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis.

Interest earned on pooled investments is credited to the Commission based on the Commission’s average daily deposit balance during the allocation period with all remaining interest deposited with the County. The Commission’s investments and policies are overseen by the County Treasury Oversight Committee.

Fair Value Measurements - GASB Statement No. 72 improved the measuring of fair value for financial reporting purposes and enhanced disclosures about the fair value hierarchy as established by GAAP. The Commission categorizes its fair value measurements within the fair value hierarchy. 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. The County Investment Pool is valued using significant other observable inputs (Level 2).

NOTE 2 - CASH AND INVESTMENTS - CONT'D

Investments Authorized by the California Government Code and the Commission's Investment Policy

The table below identifies the investment types that are authorized for the Commission by the California Government Code (or the Commission's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Commission's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

NOTE 3 - CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2024, were as follows:

	Beginning balance	Additions	Deletions	Ending balance
Capital assets being depreciated:				
Equipment	$ 40,970	$ -	$ -	$ 40,970
Total capital assets, being depreciated	40,970	-	-	40,970
Less: accumulated depreciation	(39,955)	(1,015)	-	(40,970)
Total capital assets, being depreciated, net	$ 1,015	$ (1,015)	$ -	$ -

Depreciation expense for the year ended June 30, 2024, was $1,015.

NOTE 4 - RIGHT-TO-USE LEASED ASSETS

A summary of right-to-use leased assets activity for the year ended June 30, 2024, is summarized as follows:

	Beginning balance	Addition	Deletions	Ending balance
Right-to-use leased assets	$ -	$ 27,500	$ -	$ 27,500
Less: Accumulated amortization	-	(11,458)	-	(11,458)
Total Right-to-use assets, net	$ -	$ 16,042	$ -	$ 16,042

Amortization expense for the year ended June 30, 2024 was $11,458.

NOTE 5 - COMPENSATED ABSENCES

The following is the summary of changes in compensated absences for the year ended June 30, 2024:

	Beginning balance	Additions	Deductions	Ending balance
Compensated absences	$ 12,177	$ 4,960	$ -	$ 17,137

NOTE 6 - LEASE LIABILITIES

The Tehama County Children and Families Commission (First 5 Tehama) has entered into a lease agreement with Lamar Bayles and Lourdes Bayles for the property at 807 Lincoln Street, Red Bluff, CA 96080. The lease is effective for a term of 24 months, starting from September 1, 2023, and concluding on August 31, 2025. The agreed monthly rent is $1,200, payable throughout the lease term.

The Commission's lease liabilities for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deletion	Ending Balance	Due Within One Year
Lease liabilities	$ -	$ 27,500	$ (11,134)	$ 16,366	$ 13,971
Total	$ -	$ 27,500	$ (11,134)	$ 16,366	$ 13,971

Future minimum lease payments, and in the aggregate, under these leases with remaining terms of one year or more consist of the following:

Year Ended June 30	Principal	Interest	Total
2025	$ 13,971	$ 429	$ 14,400
2026	2,395	5	2,400
Total	$ 16,366	$ 434	$ 16,800

NOTE 7 - PROGRAM EVALUATION

The Commission spent $35,717 on program evaluation during the fiscal year ended June 30, 2024.

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.

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 - CONTINGENT LIABILITIES

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 applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the Commission's management does not expect such amounts, if any, to be material.

NOTE 11 - PENSION PLANS

The Commission contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan as a component of the County of Tehama.

Plan Description - The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2022, Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1st following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process.

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

NOTE 11 - PENSION PLANS - CONT'D

For the year ended June 30, 2024, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	$	25,815
Contributions – employee	$	-

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

As of June 30, 2024, the County reported net pension liabilities for its proportionate shares of the net pension liability of the miscellaneous Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$393,658

The County's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, 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, 2023, rolled forward to June 30, 2024 using standard update procedures. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Commission proportionate share of the net pension liability for the County as of June 30, 2023, and 2024 was as follows.

Proportion - June 30, 2023	0.360%
Proportion - June 30, 2024	0.440%
Change - Increase (Decrease)	0.120%

For the year ended June 30, 2024, the Commission recognized pension expense of $23,932. At June 30, 2024, the Commission reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pension from the following sources, as determined by the County as follows:

	Deferred Outflow of Resource	Deferred Inflow of Resource
Changes in assumptions	$ 9,919	$ -
Difference between Expected and Actual Experience	15,207	(4,993)
Net differences between projected and actual earnings on pension plan investments	44,213	-
Total	$ 69,339	$ (4,993)

There is no amount to be reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

NOTE 11 - PENSION PLANS - CONT'D

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2024	$ 22,203
2025	9,983
2026	30,921
2027	1,239
Total	$ 64,346

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value

Actuarial Assumptions

Discount Rate	6.90%, (net of administrative expenses)
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age and Service [1]
Investment Rate of Return	6.90% [2]
Mortality	Derived using CalPERS' Membership Data for all Funds [3]

1. Depending on age, service, and type of employment

2. Net of pension plan investment and administrative expenses, including inflation

3. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2024 experience study report.

All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for fiscal years 1997-2020 including updates to salary increase, mortality, and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

Discount rate - The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in discount rate that would be different from the actuarially assumed discount rate.

NOTE 11 - PENSION PLANS - CONT'D

Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate and the use of municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund.

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 rate of returns, net of inflation) are developed for each major asset class.

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. The geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10
Global Equity - Cap-weighted	30 %	4.54 %
Global Equity - Non-Cap-weighted	12 %	3.84 %
Private Equity	13 %	7.28 %
Treasury	5 %	0.27 %
Mortgage-backed Securities	5 %	0.50 %
Investment Grade Corporates	10 %	1.56 %
High Yield	5 %	2.27 %
Emerging Market Debt	5 %	2.48 %
Private Debt	5 %	3.57 %
Real Assets	15 %	3.21 %
Leverage	(5)%	(0.59)%
Total	100 %	-

1. An expected inflation of 2.30% used for this period.

2. Figures are based on the 2021 Asset Liability Management study.

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, amending GASB Statement No. 45 (June 2004), which establishes new guidelines for accounting and financial reporting by State and local governments for other postemployment benefits (OPEB) other than pensions. These guidelines significantly expand the disclosure requirements for OPEB reporting to ensure transparency and comparability of financial information. At the time GASB Statement No. 75 was published, the County of Tehama did not possess sufficient information to enable complete disclosure on the OPEB Plan for the Commission. Additionally, during the fiscal year, the Commission did not have any employees who participated in the OPEB Plan. As a result, there is no OPEB-related liability, expense, deferred outflow of resources, or deferred inflow of resources to be reported in the Commission's financial statements for the period covered by this report.

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

The management of the Commission has evaluated subsequent events through October 29, 2024, the date at which the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances - beginning	$ 1,487,982	$ 1,487,982	$ 1,487,982	$ -
Resources (Inflows):				
Proposition 10 apportionment	424,169	445,144	439,863	(5,281)
Proposition 10 small county and investment income	81,844	81,844	78,443	(3,401)
Proposition 10 surplus money investment fund	250	6,646	-	(6,646)
Miscellaneous grant	-	185,000	170,492	(14,508)
Miscellaneous revenue	543,047	361,547	276,895	(84,652)
Interest income	28,000	28,000	38,503	10,503
Total resources	1,077,310	1,108,181	1,004,196	(103,985)
Charges to Appropriations (Outflows):				
Current:				
Salaries and benefits	442,486	432,889	416,426	16,463
Services and supplies	96,384	95,035	78,892	16,143
Rent and utilities	20,710	20,710	16,833	3,877
Program evaluation	36,837	36,837	35,717	1,120
Program readiness	315,796	315,796	290,683	25,113
Community strengthening and building	43,256	70,169	61,626	8,543
Program expenses	87,970	88,408	79,955	8,453
Interest expenses	-	-	866	(866)
Capital outlay	-	-	27,500	(27,500)
Total charge to appropriations	1,043,439	1,059,844	1,008,498	51,346
Excess (deficiency) of revenues over expenditures	33,871	48,337	(4,302)	(52,639)
Other financing sources (uses):				
Proceeds from right-to-use leased assets	-	-	27,500	27,500
Total other financing sources (uses)	-	-	27,500	27,500
Net change in fund balances	33,871	48,337	23,198	(25,139)
Fund balances - end of year	$ 1,521,853	$ 1,536,319	$ 1,511,180	$ (25,139)

See accompanying notes to budgetary comparison schedule - general fund.

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

NOTES TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
JUNE 30, 2024

NOTE 1 - 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 year.

After the budget is approved, the appropriation can be added to, subtracted from or changed only by Commission resolution. 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 on the modified accrual basis. 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 the 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 year's budget. Unencumbered appropriations lapse at year-end.

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

The budget is adopted on a basis consistent with generally accepted accounting principles.

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30,

Schedule of Changes in Net Pension Liability and Related Ratios

Miscellaneous Plan

	2024	2023	2022
Commission's proportion of the net pension liability	UNK%	UNK%	UNK%
Commission's proportionate share of the net pension liability	$ 393,658	$ 366,179	$ 164,040
Commission's covered-employee payroll	149,791	238,404	199,275
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	262.81 %	153.60 %	82.32 %
Plan fiduciary net position as a percentage of the total pension liability	71.30 %	86.88 %	86.88 %

Notes to schedule

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Changes in assumptions –In 2015, there were no changes in assumptions.

Schedule of Plan Contribution

	2024	2023	2022
Contractually required contribution (actuarially determined)	43,855	50,746	41,407
Contributions in relation to the contractually required contributions	(53,608)	(50,746)	(41,407)
Contribution deficiency (excess)	$ (9,753)	$ -	$ -
Commission's covered-employee payroll	$ 149,791	$ 238,404	$ 199,275
Contributions as a percentage of covered-employee payroll	26.28 %	21.29 %	20.78 %

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30,

Schedule of Changes in Net Pension Liability and Related Ratios

Miscellaneous Plan

	2021	2020	2019
Commission's proportion of the net pension liability	UNK%	UNK%	UNK%
Commission's proportionate share of the net pension liability	$ 268,967	$ 264,531	$ 243,954
Commission's covered-employee payroll	145,472	154,146	147,647
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	184.89 %	171.61 %	165.23 %
Plan fiduciary net position as a percentage of the total pension liability	86.88 %	86.88 %	86.88 %

Notes to schedule

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Changes in assumptions –In 2015, there were no changes in assumptions.

Schedule of Plan Contribution

	2021	2020	2019
Contractually required contribution (actuarially determined)	36,773	37,627	28,621
Contributions in relation to the contractually required contributions	(36,773)	(37,627)	(28,621)
Contribution deficiency (excess)	$ -	$ -	$ -
Commission's covered-employee payroll	$ 145,472	$ 154,146	$ 147,647
Contributions as a percentage of covered-employee payroll	25.28 %	24.41 %	19.38 %

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30,

Schedule of Changes in Net Pension Liability and Related Ratios

Miscellaneous Plan

	2018	2017	2016
Commission's proportion of the net pension liability	UNK%	UNK%	UNK%
Commission's proportionate share of the net pension liability	$ 246,397	$ 232,548	$ 133,348
Commission's covered-employee payroll	141,842	105,630	126,491
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	173.71 %	220.15 %	105.42 %
Plan fiduciary net position as a percentage of the total pension liability	84.05 %	84.43 %	83.37 %

Notes to schedule

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Changes in assumptions –In 2015, there were no changes in assumptions.

Schedule of Plan Contribution

	2018	2017	2016
Contractually required contribution (actuarially determined)	24,840	17,022	21,505
Contributions in relation to the contractually required contributions	(24,840)	(17,022)	(21,505)
Contribution deficiency (excess)	$ -	$ -	$ -
Commission's covered-employee payroll	$ 141,842	$ 105,630	$ 126,491
Contributions as a percentage of covered-employee payroll	17.51 %	16.11 %	17.00 %

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30,

Schedule of Changes in Net Pension Liability and Related Ratios

	Miscellaneous Plan
	2015
Commission's proportion of the net pension liability	UNK%
Commission's proportionate share of the net pension liability	$ 121,750
Commission's covered-employee payroll	124,302
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	97.95 %
Plan fiduciary net position as a percentage of the total pension liability	83.03 %

Notes to schedule

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Changes in assumptions –In 2015, there were no changes in assumptions.

Schedule of Plan Contribution

Contractually required contribution (actuarially determined)	18,293
Contributions in relation to the contractually required contributions	(18,293)
Contribution deficiency (excess)	$ -
Commission's covered-employee payroll	$ 124,302
Contributions as a percentage of covered-employee payroll	14.72 %

SUPPLEMENTARY INFORMATION

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BY FUND SOURCE FOR (SPCFA) FUNDING
FOR THE YEAR ENDED JUNE 30, 2024

	SPCFA Funds
REVENUES	
Small County Augmentation	$ 78,443
Total revenues	78,443
EXPENDITURES	
Small County Augmentation	78,443
Total expenditures	78,443
Net change in fund balance	$ -

COMPLIANCE SECTION

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 Trustees
First 5 Tehama
Red Bluff, 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, general fund of First 5 Tehama (the "Commission"), as of and for the year ended June 30, 2024, 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 29, 2024.

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.

Harshwal & Company LLP

Oakland, California
October 29, 2024

HARSHWAL® & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on Compliance

Opinion

We have audited Tehama County Children and Families Commission's (the "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, 2024.

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, 2024.

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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material 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, 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

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, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying finding and responses as item 2024-001 to be a significant deficiency.

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.

Harshwal & Company LLP

Oakland, California
October 29, 2024

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

State Awards:

Internal control over state program:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	Yes
Type of auditor's report issued on compliance for state programs	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - STATE AWARD FINDINGS

2024-001 Government Auditing Standards, and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act State Compliance

Criteria

Per Health and Safety Code Sections 130140(d)(5) and 130151(b)(2), each commission must adopt and periodically review limits on administrative spending to ensure compliance and maximize resources for direct services.

Pursuant to subdivision (d)(5) of Health and Safety Code section 130140, the First 5 Tehama County Children and Families Commission hereby adopts an amount not to exceed 20% of total annual expenditures that may be spent on administrative functions.

Condition

For the fiscal year under audit, the Commission's administrative costs were calculated at 26% of total annual expenditures, which exceeds the allowed threshold by 6%.

Effect

The Commission is out of compliance pursuant to subdivision (d)(5) of Health and Safety Code section 130140. This may result in additional oversight of financial practices and could affect the resources available for direct services intended to benefit children and families in Tehama County.

Cause

The increase in administrative costs beyond the 20% cap is due to outdated policies and procedures, including the administrative percentage policy, which had not been revised since 2015.

Recommendation

The Commission should finalize and implement the revised administrative cost policy to ensure compliance with statutory requirements and operational alignment. Additionally, it is advisable to establish a systematic review process for policies to enhance governance, maintain internal control, and ensure ongoing adherence to state guidelines and stakeholder expectations.

Management Response

The Commission complies with statutory requirements and has an adopted policy. However, this policy is now considered outdated, particularly due to the rapid increase in necessary expenditures that are beyond the Commission's control (such as unfunded PERS costs and County Services costs). Consequently, the Commission plans to update this policy to better align with current requirements. Additionally, the budgeted programmatic expenditures in contracts with community partners were not fully utilized, leading to a significant reduction in programmatic spending and an increased ratio of administrative costs.

TEHAMA COUNTY CHILDREN AND FAMILIES COMMISSION
(FIRST 5 TEHAMA)

STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

No matters were reported in the prior year.