Financial Planning Committee

MEETING AGENDA

January 23, 2025 • 1:30-2:30 PM

This is an In-Person Meeting for Committee Members
2750 Gateway Oaks Drive, Suite 330
Sacramento, CA 95833

Commission Members: Beth Hassett (Chair), Aiyana Evans, Scott Moak
Advisory Committee Members: Walter Wyniarczuk, Silvia Rodriguez
Advisory Committee Alternates: Robin Blanks-Guster (Vice-Chair), Junior Goris

1. Call to Order/Roll Call
2. Public Comment on Off-Agenda Items
3. Approve Draft Action Summary of October 24, 2024
4. Receive Staff Updates
5. Review and Approve FY 2023-24 Audited Financials Report
6. Review and Comment on Financial Statements
7. Committee Member Comment
8. Upcoming Events/Future Agenda Items
   - Next FPC Meeting: Thursday, March 27, 2025 at 1:30 PM

Community/Public May Join By Zoom:
https://saccounty-net.zoomgov.com/j/1613144013?pwd=EDpVbd7IgzTBRrRSu1Mk3rN18GMXWX.1

FIRST 5 SACRAMENTO COMMISSION
2750 Gateway Oaks Dr., Suite 330
Sacramento, CA 95833

FINANCIAL PLANNING COMMITTEE

DRAFT ACTION SUMMARY

Tuesday, October 24, 2024 – 1:30 PM

Members Present: Beth Hassett (Chair), Aiyana Evans
Advisory Committee Members Present: Robin Blanks-Guster (Alternate), Walter Wyniarczuk,
Staff Present: Julie Gallelo, Kristin Scheiber, Stephanie Wills, Troy Coronado
Absent: Scott Moak, Silvia Rodriguez (Vice-Chair), Junior Goris (Alternate)

1. Welcome/Call to order and Roll Call
   Action: The meeting was called to order at 1:33 PM. Quorum was established.

2. Public Comments on Off-Agenda Items
   Action: None

3. Approve Draft Action Summary of July 30, 2024
   Motion moved by Walter Wyniarczuk; 2nd by Robin Blanks-Guster
   Action: AYES: Hassett, Evans, Wyniarczuk, Blanks-Guster

4. Receive Staff Updates
   - Kristin Scheiber, Chief of Admin, reported that First 5 Admin staff have been working on sending invoice templates for all new contracts, and processing Q1 payments as they are received. Staff is also helping with preparations for the 25th Anniversary event hosted by First 5 Sacramento on November 14, 2024.

5. Nominate and Appoint 2025 Financial Planning Committee Chair and Vice Chair
   The committee nominated Beth Hassett as FPC Chair and Robin Blanks-Guster as Vice-Chair
   Motion moved by Robin Blanks-Guster; 2nd by Aiyana Evans
   Action: AYES: Hassett, Evans, Wyniarczuk, Blanks-Guster

6. Approve 2025 FPC Meeting Calendar
   The 2025 Meeting Calendar was approved by the committee with the edit of moving the October 23rd meeting to November 13th to allow time for the Audit report to be completed and received.
   Motion moved by Walter Wyniarczuk; 2nd by Aiyana Evans
   Action: AYES: Hassett, Evans, Wyniarczuk, Blanks-Guster

7. Update on FY 2023-24 Audited Financials Report
   Kristin Scheiber reported that as of today we still haven't received the official audit report from MGO due to multiple delays in the audit process.
   Action: None

8. Review and Comment on Quarterly Financial Statements
   Members reviewed Quarterly Financial Statements. Kristin Scheiber reviewed the report which shows expenditure and revenues for FY 2024-25 Quarter 1.
   Action: None

9. Participatory Grant-Making Project Update
   Stephanie McLemore-Bray from Touchstone Leadership group provided an update on First 5's PGM Process.
   Action: None

10. Committee Member Comments
    Action: None

Adjourned: 2:41 PM

Respectfully submitted,
Stephanie Wills, Clerk
First 5 Sacramento Commission

FIRST 5 SACRAMENTO COMMISSION
Financial Planning Committee Staff Report
January 23, 2024

1. **Staffing:**

Sheng Yang, who joined the First 5 staff in December 2023 as an Administrative Services Officer I (ASO I), has accepted a promotion with the Coroner's Office as an Administrative Services Officer II (ASO II). Her last day with First 5 was Friday, December 27th. We are currently working on filling the vacant ASO I position.

LaTina Price retired in December. For eight years, she served as our Systems Change, Sustainability and REDI Director, a Human Services Program Planner Rng B position. Staff is working on restructuring the programmatic team to create succession planning and offer the same advancement ladder as the administrative team. Two Program Planner positions will be reclassified as a Human Services Program Manager and a Human Services Program Specialist. This will result in a cost savings of $14,037 per Fiscal Year.

See current and proposed Org charts attached (Item 4, Attachments 1 and 2).

Deleted Positions	**Total Salary & Benefits**
1.0 FTE Human Services Program Planner Range B (Step 9)	$194,130
1.0 FTE Human Services Program Planner Range B (Step 9)	$194,130
TOTAL	**$388,260**

Added Positions	**Total Salary & Benefits**
1.0 FTE Human Services Program Mgr (Step 9)	$212,295
1.0 FTE Human Services Program Specialist (Step 9)	$161,927
TOTAL	**$374,222**
Savings	**($14,037)**

2. **Additional Parent Leadership Training Institute Funding (PLTI):**

First 5 Sacramento has allocated $381,897 in funding to implement three PLTI cohorts for the 2025-2028 Strategic Plan, which includes one cohort per fiscal year, alternating between English and Spanish. On January 4th, this year's Spanish language cohort kicked off the third year of PLTI with a retreat at the Sacramento Children's Home (SCH). In total, 25 parents are participating.

First 5 has been seeking funding to implement an English language cohort this fiscal year. We are pleased to report that staff are currently working on a funding partnership with Sacramento County Department of Child, Family and Adult Services (DCFAS) in the amount of $80,000 to add an English cohort. The majority of funds, $72,000, will be contracted with SCH to implement an English language cohort, while $8,000 will fund First 5 staff costs associated with oversight of the program. This item will be on the February 3rd Commission Meeting agenda.

First 5 Sacramento has partnered with Health Net, Sacramento County Public Health, Anthem, and Sacramento County Transient Occupancy Tax to implement three cohorts in the past two years.

3. CECET:

CECET is the California Electronic Cigarette Excise Tax created by Senate Bill (SB) 395. For FY 2023-24, this revenue for Sacramento held steady at around $45,000 per quarter. FY 2024-25, revenue seems to be following last year's trend with $42,242 received for Q1 and $42,688 in Q2.

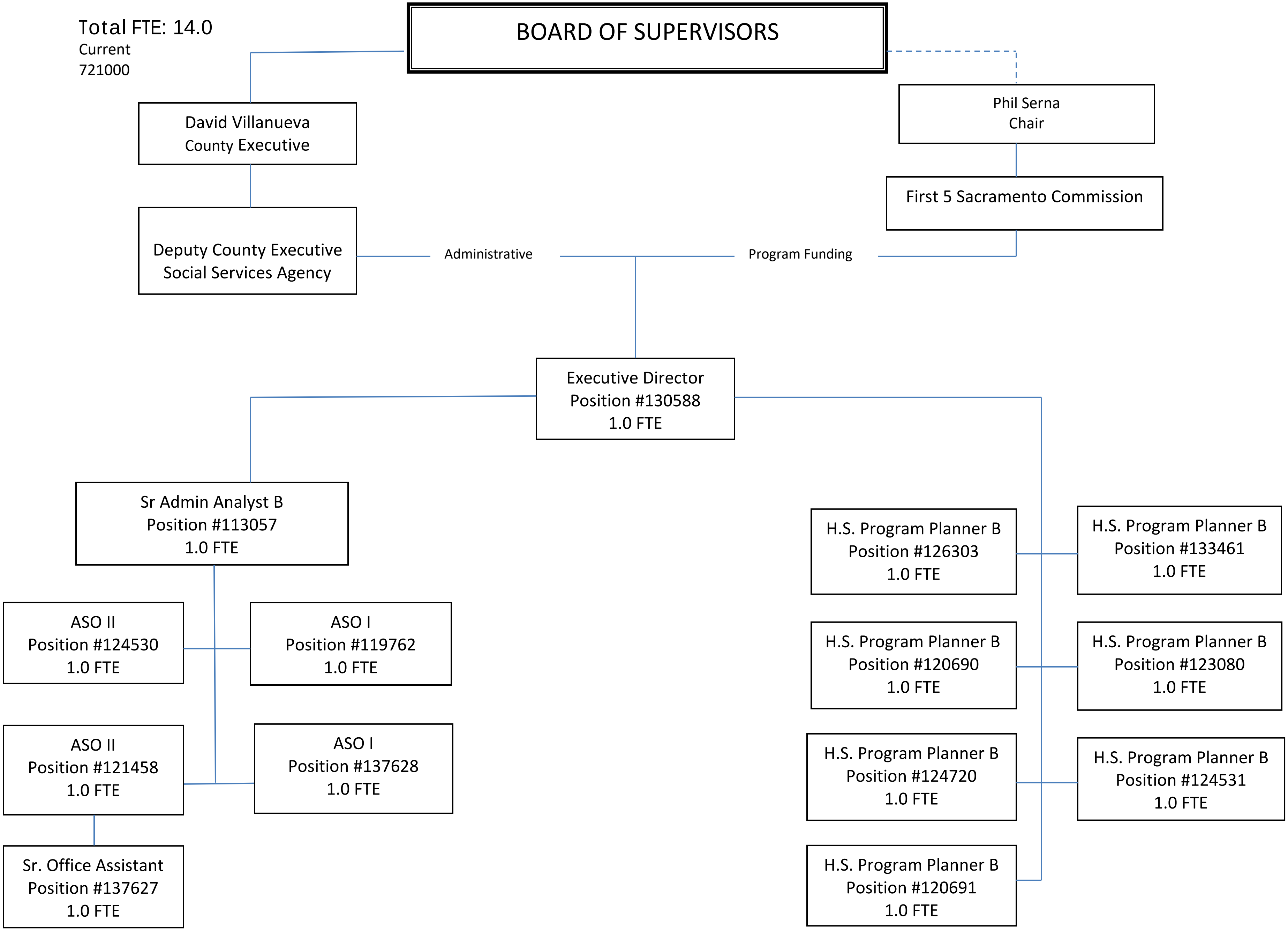
Refresher Information: Beginning July 1, 2022, retailers of electronic cigarettes are required to collect from purchasers at the time of sale, a CECET tax of 12.5%, on the retail selling price of electronic cigarettes containing or sold with nicotine. Of the CECET taxes collected, 12% is distributed to the Children's and Family Trust (Prop 10).

4. Budget/Financial Status Report:

Members of the First 5 Administrative team attended the County's Budget Kick Off Meeting on Wednesday, January 15th. The proposed FY 2025-26 budget is due on February 19, 2025. The budget will be reviewed and approved by this committee in two months on March 27th. It will then be considered on the Commission's April meeting agenda.

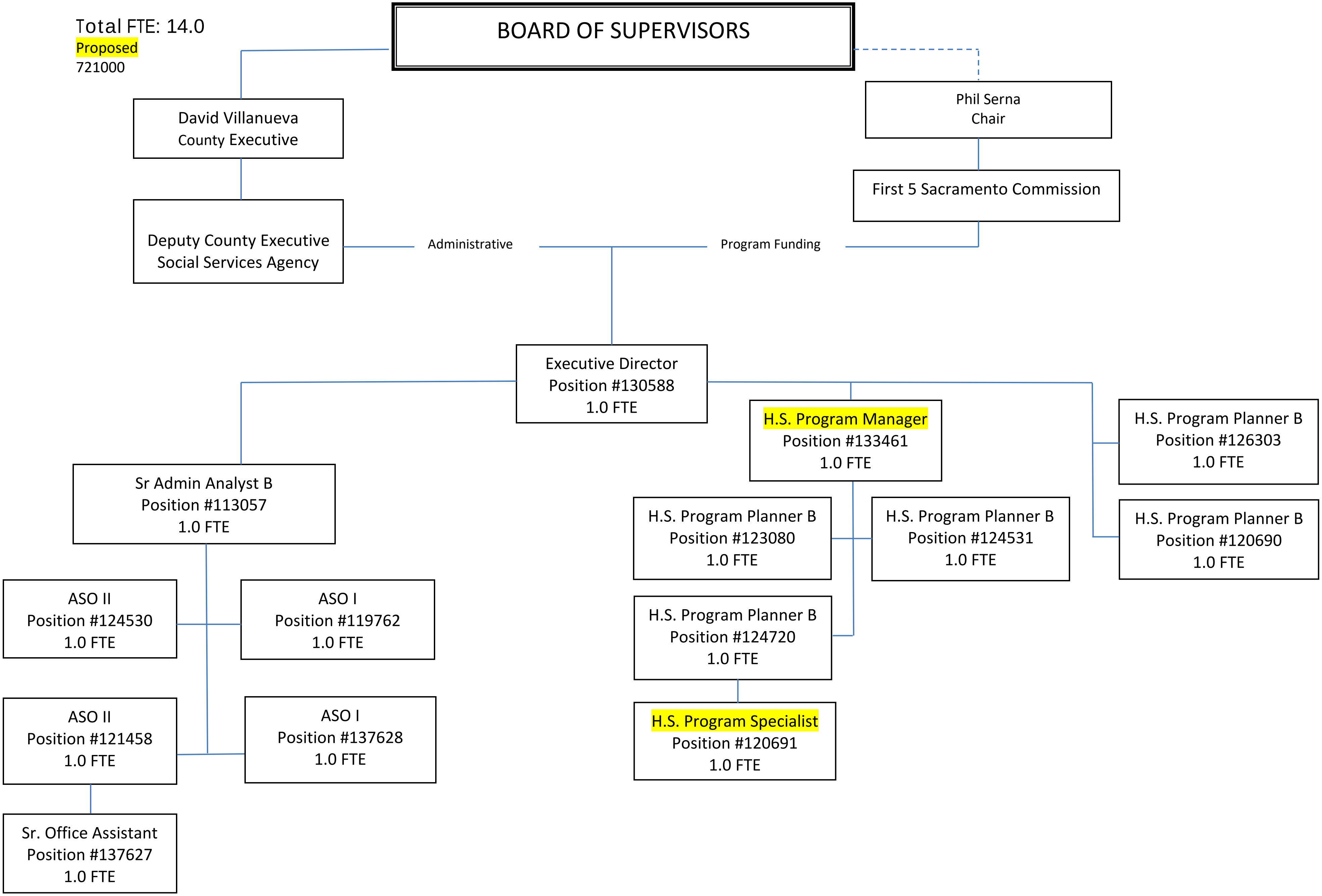
The next Financial Status Report (FSR) is due on January 27, 2025. The FSR reports actual expenditures-to-date and estimated expenditures remaining. These figures are used to formulate an estimated fund balance that will be available for next fiscal year and provide an early indication of the overall budget outlook for next year.

First 5 Sacramento Commission FY 2024-25



First 5 Sacramento Commission FY 2024-25

Total FTE: 14.0
Proposed
721000



FIRST 5
SACRAMENTO COMMISSION
Financial Planning Committee

For the Agenda of:
February 3, 2025

To: Commission Members

From: Julie Gallelo
Executive Director

Subject: Public Hearing: Review and Adoption of the First 5 Sacramento Commission Audit for Fiscal Year 2023-24

Contact: Kristin Scheiber, Chief of Administration, 876-5868

RECOMMENDATION:

Conduct a Public Hearing for the review and adoption of the First 5 Sacramento Commission Audit for Fiscal Year (FY) 2023-24.

BACKGROUND:

The Children and Families Act of 1998 requires that California's 58 county commissions submit an annual report and audit to the First 5 California State Commission by November 1st of each year. The audit report was issued on October 31, 2024, and sent to the State Controller's Office and First 5 California on the same date.

The information contained in the audited financial statements is collected by the State Commission and included in the Annual Report to the Legislature. In accordance with Health and Safety Code Section 130140 (a) (1) (G) "the county commission [shall] prepare and adopt an annual audit and report … [and] conduct at least one public hearing prior to adopting any annual audit and reports."

DISCUSSION:

The audit was conducted by Macias, Gini, & O'Connell, LLP (MGO) for FY 2023-24. The Communications Letter (Attachment 1) discusses the responsibilities of MGO, conditions encountered and includes the Management Representation Letter. The Audit Report (Attachment 2) includes basic financial statements, required supplemental information, and other reports for fiscal year 2023-24.

Financial Highlights
The fiscal audit verifies expenditures totaling $21.2 million. Expenditures were supported by revenue totaling $19.4 million and a reduction to fund balance of $2 million. The fiscal year

ended with a total reserve fund balance of approximately $18.5 million, of which $2.8 million is classified into committed and $15.7 million into unassigned fund balance categories.

Auditor Report

MGO reports the Commission's financial statements contained in the audit report present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2024.

MGO tested 24 procedures for Commission compliance with state laws and regulations and all were in compliance.

There were no findings noted for FY 2023-24.

FISCAL IMPACT:

Adoption of the Audit Report has no financial impact.

CONFLICT OF INTEREST:

None.

CONCLUSION:

Staff recommends that the Commission conduct a public hearing to review and adopt the Audit of Financial Statements for FY 2023-24.

Respectfully submitted,

Julie Gallelo
Executive Director

Attachments:
1. 2024 Communication and Management Letter
2. 2024 Audit of Financial Statements

cc: Ashley Wisniewski, County Counsel
Stephanie Wills, Clerk of the Commission

FIRST 5 SACRAMENTO COMMISSION

Report to the Board of Commissioners Year

Ended June 30, 2024

mgo. | Certified Public Accountants

Certified Public Accountants

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

We are pleased to present this report related to our audit of the basic financial statements of the First 5 Sacramento Commission (Commission), a component unit of the County of Sacramento, California (County), as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Commission's financial reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Commission.

Macias Gini & O'Connell LLP

Sacramento, California
October 31, 2024

Macias Gini & O'Connell LLP
500 Capitol Mall, Suite 2200
Sacramento, CA 95814

www.mgocpa.com

TABLE OF CONTENTS

REQUIRED COMMUNICATIONS

Auditing standards generally accepted a in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our engagement letter dated August 14, 2024. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. The Commission did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the fiscal year ended June 30, 2024.

Significant Accounting Policies

A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following table summarizes the significant accounting estimates reflected in the Commission's June 30, 2024 basic financial statements.

Significant Accounting Estimates	
Medi-Cal Administrative Activities (MAA)	
Accounting policy	Accrue an estimate of unavailable MAA revenue and receivable for all quarters' claims not yet submitted to the State.
Management's estimation process	MAA revenue and receivable per each quarter is calculated as an average of the most recent four quarter actual amounts claimed times the number of quarters' claims not yet submitted.
Basis for our conclusion on the reasonableness of the estimate	Recalculation of the estimate and detail testing of the actual quarterly claims used in the calculation.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Commission were limited to a reclassification of the Calworks Home Visiting Initiative grant, in the amount of $4,296,991 from County operating grants to State operating grants to be consistent with the Commission's presentation of revenues based on funding source. We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Commissioners and MGO each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Authority's Responsibilities

- Timely inform MGO, before the effective date of transactions or other business changes, of the following:

  - New affiliates, Commissioners, or officers.
  - Changes in the organizational structure or the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, and jointly governed organizations.

- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.

- Understand and conclude on the permissibility, prior to the Commission and its affiliates, officers, Commissioners, or persons in a decision-making capacity, engaging in business relationships with MGO.
- Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of the Commission.
- Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Commission.

Internal Control and Compliance Matters

We have separately communicated on internal control and compliance over financial reporting identified during our audit of the basic financial statements as required by *Government Auditing Standards*. This communication was issued with the the basic financial statements.

EXHIBIT A

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of October 31, 2024 but are not yet effective and may affect the future financial reporting by the Commission.

Pronouncement	Summary
GASB Statement No. 101, *Compensated Absences*	The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for reporting period beginning after December 15, 2023.
GASB Statement No. 102, *Certain Risk Disclosures*	The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this statement are effective for fiscal years beginning after June 15, 2024.
GASB Statement No. 103, *Financial Reporting Model Improvements*	The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues: (1) Management's Discussion and Analysis, (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, (4) Expenses, and Changes in Fund Net Position, (5) Major Component Unit Information, and (6) Budgetary Comparison Information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025

Pronouncement	Summary
GASB Statement No. 104, *Disclosure of Certain Capital Assets*	The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

FIRST 5 SACRAMENTO COMMISSION

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

Independent Auditor's Reports,
Basic Financial Statements, and
Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

MGO. Certified Public Accountants

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Table of Contents

Certified Public Accountants

Independent Auditor's Report

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the First 5 Sacramento Commission (Commission), a component unit of the County of Sacramento, California, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2024, the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Commission's proportionate share of the County's net pension liability, the schedule of contributions – pension, and the schedule of the Commission's proportionate share of the County's total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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.

Macias Gini É O'Connell LLP

Sacramento, California
October 31, 2024

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

First 5 Sacramento Commission (Commission) presents its financial statements under the reporting model required by accounting principles generally accepted in the United States of America (GAAP). Certain comparative information between the current year and the prior year is required to be presented in Management's Discussion and Analysis (MD&A).

This discussion and analysis of the Commission's financial performance provides an overview of its financial activities for the fiscal year ending June 30, 2024. It should be read in conjunction with the Commission's financial statements.

FINANCIAL HIGHLIGHTS

During the fiscal year ending June 30, 2024, the Commission continued the third year of programs outlined in the 2021 Strategic Plan, which covers fiscal years 2021-22 through 2023-24. This section highlights financial activities for the fiscal year 2023-24:

- Total assets decreased by $909,226 (3.6%) from $25,085,327 in fiscal year 2022-23 to $24,176,101 in current year as a direct result of the Commission's decision to spend down its reserves as approved in the three-year strategic plan.
  Net position decreased by $1,845,667 (9.4%) from $19,725,361 in fiscal year 2022-23 to $17,879,694 in the current year.
- The Commission approved an additional $381,000 funded by the County of Sacramento Department of Health Services (DHS) Public Health for Refugee Family Support Services.
- The Commission approved and engaged in two new programs funded through the County of Sacramento's American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Fund allocation. $291,931 was allocated to Building Strong Families to add eight Family Support Navigators for each location of the Family Resource Centers. $22,024 was allocated to the Safe Sleep Baby 3.0 program to advocate for systems changes in the hospital systems in Sacramento.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

<u>Government-Wide Financial Statements</u>

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's business.

The *Statement of Net Position* 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. Over time, increases or decreases in net position may serve as a useful indicator of the improvement or deterioration in the financial position of the Commission.

The *Statement of Activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this 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 are shown on the right-hand columns of pages 10 and 11 of this report.

Fund Financial Statements

A fund is a group 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 compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements.

However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The fund financial statements are shown on the left-hand columns of pages 10 and 11 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarizes the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2024, and 2023.

	June 30, 2024	June 30, 2023	Variance	Percent Change
Assets:				
Current and other assets	$ 20,504,278	$ 21,455,912	$ (951,633)	-4.4%
Due from government agencies	3,306,313	3,109,454	196,859	6.3%
Noncurrent assets	365,510	519,961	(154,451)	-29.7%
Total Assets	24,176,101	25,085,327	(909,226)	-3.6%
Deferred outflows of resources	924,906	720,949	203,957	28.3%
Liabilities:				
Current and other liabilities	2,416,807	1,747,260	669,547	38.3%
Due to government agencies	2,127,101	1,592,567	534,534	33.6%
Net pension liability	1,788,542	1,575,607	212,935	13.5%
Total OPEB liability	109,134	105,035	4,099	3.9%
Noncurrent liability	555,788	759,387	(203,599)	-26.8%
Total Liabilities	6,997,372	5,779,855	1,217,516	21.1%
Deferred inflows of resources	223,941	301,059	(77,118)	-25.6%
Net Position:				
Net investment in capital assets	(44,440)	-	(44,440)	-0.3%
Unrestricted	17,924,134	19,725,361	(1,801,227)	-9.1%
Total Net Position	$ 17,879,694	$ 19,725,361	$ (1,845,667)	-9.4%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Current and other assets decreased by $951,633 due to planned reductions of reserves based upon the current Strategic Plan. Noncurrent assets decreased by $154,451 due to the amortization of the Commission's leased and SBITA assets.

Due from government agencies increased by $196,859 due to the timing of Prop 10 revenues collected, along with an increase in estimated Medi-Cal Administrative Activities (MAA) revenues.

Deferred outflows of resources increased by $203,957 mostly due to a decrease in changes in assumptions related to pensions.

Total liabilities increased by $1,217,516 mostly due to an increase in current and other liabilities. Current and other liabilities increased by $669,547 due to increase in accounts payable, deferred revenue and compensated absences. Due to government agencies increased by $534,534 primarily due to warrants payable and timing of claims due to county and other government agencies.

Deferred inflows of resources decreased by $77,118 due to the net differences between the projected and actual investment earnings on pension plan investments.

For the fiscal year ending June 30, 2024, current year operations decreased the Commission's net position by $1,845,667 as planned in the 2021 Strategic Plan.

The following is a summary of the Commission's Statement of Activities comparing revenues, expenses, and changes in net position for the fiscal years ended June 30, 2024, and 2023.

Condensed Statement of Activities

	June 30, 2024	June 30, 2023	Variance	Percent Change
Revenues				
Program Revenues	$ 18,364,726	$ 17,372,935	$ 991,791	5.7%
General Revenues	1,000,033	832,942	167,091	20.1%
Total Revenues	19,364,759	18,205,877	1,158,882	6.4%
Expenses				
Child Development Services	21,205,115	18,778,452	2,426,663	12.9%
Interest	5,311	6,869	(1,558)	-22.7%
Total Expenses	21,210,426	18,785,321	2,425,105	12.9%
Changes in net position	(1,845,667)	(579,444)	(1,266,223)	218.5%
Net position beginning of period	19,725,361	20,304,805	(579,444)	-2.9%
Net position end of period	$ 17,879,694	$ 19,725,361	$ (1,845,667)	-9.4%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Commission recognized a total of $18,364,726 in program revenue from First 5 California, the State of California, and the County of Sacramento (County) reflecting a 5.7 % increase in tobacco tax revenue, other state operating grant revenue, and County operating grant revenue for fiscal year 2023-24. This increase was mostly due to increase in state operating grants and federal operating grants.

General revenues increased by $167,091 due an increase in interest revenue.

Expenses had an overall increase of $2,425,105 mostly due to increased spending for existing programs such as CalWorks HVI program, Building Strong Families, Refugee Family Support and Home Visiting Program Collaborations.

ANALYSIS OF THE GOVERNMENTAL FUND STATEMENTS

The activities are contained in the general fund of the Commission. The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, fund balance may serve as a useful measure of the Commission's net resources, both committed and available for future operational needs.

The receipt of funds related to current period revenues must occur within a set period of time after the end of the fiscal year. Therefore, certain federally funded revenue previously recognized when invoiced at the government-wide level, is a deferred inflow of resources for those funds received after 120 days from the fiscal year end.

Similarly, portions of liabilities, such as pension obligations, which will not become due in the current period, are not reported within the context of the general fund financial statements. As of the end of fiscal year 2023-24, the Commission's general fund reported a total ending fund balance of $18,510,665, which represents a decrease of $2,075,209 (10.08%) in comparison with the prior fiscal year balance of $20,585,874.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following summarizes the significant variances between the Commission's budgeted and actual revenues and expenditures. The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund* can be found on page 11 of this report.

- Budgeted program revenues had an overall positive variance of $1,003,351 primarily due to the positive variance of $836,993 stemming from investment and other income. Prop 10 tobacco tax revenue had a positive variance of $992,878. State operating grants had a positive variance of $51,750. County operating grants had a negative variance of $391,452. Interest and other income's positive variance of $836,993 was primarily due to an increase in interest revenue and the change in fair value of the Commission's portion of the County's investment pool.

- Refugee Family Support was overspent by $141,920. The Commission received an additional $381,000 funding from DHS Public Health in FY 2025 to help support that program going forward. Building Strong Families (BSF) was also overspent by $115,013 due to slow programmatic rollout in FY 2023. Any unused BSF funding rolls over to the subsequent fiscal year. The negative variances for Health of $26,050 and Evaluation of $59,230 were primarily due to an increase in programmatic expenses needed to Support CalWORKs, Building Strong Families, and Refugee Family Support. The two largest variances for expenditures were the Home Visiting Collaboration which was underspent by $400,567 and Nutrition which was underspent by $316,035, where each program had a positive budgetary variance of 40%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Proposition 10 funding is expected to stabilize near the natural annual decreasing rate of 2.5% after years of volatility caused by the passage of Proposition 56, which increased excise taxes on tobacco products. Sustainability efforts have led to the Commission engaging a home visiting program funded through the California Department of Social Services and passed on to community-based organizations to provide the services. The CalWORKs home visiting effort provides in-home services including evidence-based parenting education, service referrals, and child development information.

In fiscal year 2024-25, an additional evidence-based curriculum has been added to the program to allow for more eligible service recipients and is expected to increase the utilization of funds available for the program. The Commission retains a negotiated amount of the funds to reimburse for expenses. In fiscal year 2023-24, $4,312,083 was spent providing home visiting services. In fiscal year 2024-25, funding is anticipated to be $4,688,443.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Executive Director of the First 5 Sacramento Commission office located at 2750 Gateway Oaks Drive, Suite 330, Sacramento, California 95833.

BASIC FINANCIAL STATEMENTS

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	General Fund	Adjustments (Note 3)	Statement of Net Position
Assets:			
Current assets:			
Cash and investments	$ 20,504,278	$ -	$ 20,504,278
Due from County of Sacramento	870,006	-	870,006
Due from other government agencies	2,436,307	-	2,436,307
Total current assets	23,810,591	-	23,810,591
Noncurrent assets:			
Right-to-use leased assets, net of amortization	-	349,331	349,331
Right-to-use SBITA assets, net of amortization	-	16,179	16,179
Total noncurrent assets	-	365,510	365,510
Total assets	23,810,591	365,510	24,176,101
Deferred outflows of resources:			
Deferred outflows related to pensions	-	907,775	907,775
Deferred outflows related to OPEB	-	17,131	17,131
Total deferred outflows of resources	-	924,906	924,906
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	2,204,952	-	2,204,952
Due to County of Sacramento	793,578	-	793,578
Due to other government agencies	1,333,523	-	1,333,523
Current portion of long-term obligations	-	211,855	211,855
Total current liabilities	4,332,053	211,855	4,543,908
Noncurrent Liabilities:			
Net pension liability	-	1,788,542	1,788,542
Total OPEB liability	-	109,134	109,134
Noncurrent portion of long-term obligations	-	555,788	555,788
Total long-term liabilities	-	2,453,464	2,453,464
Total liabilities	4,332,053	2,665,319	6,997,372
Deferred inflows of resources:			
Unavailable revenue-state and federal grants	967,873	(967,873)	-
Deferred inflows related to pensions	-	162,867	162,867
Deferred inflows related to OPEB	-	61,074	61,074
Total deferred inflows of resources	967,873	(743,932)	223,941
Fund balance/Net position:			
Fund balance:			
Committed	2,805,395	(2,805,395)	
Unassigned	15,705,270	(15,705,270)	
Total fund balance	18,510,665	(18,510,665)	
Total liabilities, deferred inflows of resources, and fund balance	$ 23,810,591		
Net position:			
Net investment in capital assets		(44,440)	(44,440)
Unrestricted		17,924,134	17,924,134
		$ 17,879,694	$ 17,879,694

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses:			
Child development services	$ 21,137,343	$ 67,772	$ 21,205,115
Debt service (lease and SBITA):			
Principal	160,245	(160,245)	-
Interest	5,311	-	5,311
Total expenditures/expenses	21,302,899	(92,473)	21,210,426
Program revenues:			
Operating grants and contributions:			
Prop 10 Tobacco Tax	10,665,610	-	10,665,610
State operating grants	6,328,366	(176,886)	6,151,480
Federal operating grants	1,233,681	313,955	1,547,636
Total program revenues	18,227,657	137,069	18,364,726
Net revenue			(2,845,700)
General revenues:			
Investment and other income	1,000,033	-	1,000,033
Change in fund balance/net position	(2,075,209)	229,542	(1,845,667)
Beginning fund balance/net position	20,585,874	(860,513)	19,725,361
Ending fund balance/net position	$ 18,510,665	$ (630,971)	$ 17,879,694

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
Prop 10 tobacco Tax	$ 9,674,440	$ 9,674,440	$ 10,665,610
State operating grants	6,916,443	6,916,443	6,328,366
County operating grants	4,688,443	4,688,443	-
Federal operating grants	1,470,416	1,470,416	1,233,681
Investment and other income	163,040	163,040	1,000,033
Total revenues	18,224,339	18,224,339	19,227,690
Expenditures:			
Child development services:			
Program by result area:			
Health	1,498,619	1,498,619	1,524,669
Medical, dental and mental health	38,311	38,311	35,526
Nutrition	526,644	526,644	316,035
Child care access	45,079	45,079	39,495
Quality childcare	732,921	732,921	676,419
School readiness	3,594,944	3,594,944	3,279,561
Empowered families	6,376,690	6,376,690	6,346,477
CalWorks HVI	4,680,163	4,680,163	4,309,870
Home visiting collaboration	1,000,365	1,000,365	599,798
Building Strong Families (ARPA)	993,368	993,368	1,108,381
PLTI	208,600	208,600	153,775
Sleep Safe Baby 3.0	430,915	430,915	429,200
Refugee Family Support	147,353	147,353	289,273
Policy, advocacy, and sustainability	282,173	282,173	258,543
Program management	321,385	321,385	247,037
Evaluation	468,243	468,243	527,563
Administrative costs	1,216,166	1,216,166	1,161,277
Total expenditures	22,561,939	22,561,939	21,302,899
Changes in fund balance	(4,337,600)	(4,337,600)	(2,075,209)
Beginning fund balance	20,585,874	20,585,874	20,585,874
Ending fund balance	$ 16,248,274	$ 16,248,274	$ 18,510,665

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In November 1998, the people of the State of California passed Proposition 10, also known as the Children and Families Act. Proposition 10 mandated an additional 50-cent-per-pack tax on cigarettes and a comparable increase in the tax of other tobacco products and required that the new funds be used on programs focused exclusively on early childhood development for children ages zero through five.

Following the directive of Proposition 10 to fund programs at the community level, each of the State's 58 counties created a Proposition 10 Commission to receive Proposition 10 revenues. In Sacramento County, the First 5 Sacramento Commission (Commission) was established by the County of Sacramento (County) Board of Supervisors through adoption of Ordinance SCC-1154 dated October 5, 1999. This ordinance amended Chapter 2.99 of the Sacramento County Code (SCC). The Commission is a component unit of the County and is discretely presented on the County's Annual Comprehensive Financial Report (ACFR). Component units are legally separate entities for which the primary government is financially accountable. Although the County Board of Supervisors has no control over the revenues, budget, staff or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them.

The purpose of the Commission is to promote, support, and improve the early development of children ages zero through five.

The Commission's seven-member governing board includes one member from the County Board of Supervisors, the Administrator of the Social Services Agency, the Superintendent of the Sacramento County Office of Education (SCOE), and the County Health Officer. The remaining three board members are appointed in accordance with SCC §2.99.050(b) with representation among recipients of project services included in the County strategic plan; educators specializing in early childhood development; representatives of local child care resource or referral agencies; representatives of a local organization for prevention or early intervention for families at risk; representatives of community-based organizations with the purposes of promoting and nurturing early childhood development; representatives of local school districts; and, representatives of local medical, pediatric or obstetric associations or societies.

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

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing GAAP for state and local government organizations.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

Government-wide Financial Statements **–** The Statement of Net Position and Statement of Activities are presented on an economic resources measurement focus and accrual basis of accounting. All economic resources and obligations of the Commission are reported in the financial statements, including deferred inflows and outflows of resources.

With this measurement focus, all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position associated with the operations/activities of the Commission are included in the Statement of Net Position.

The Statement of Activities presents direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues also include tobacco taxes. General revenues are all revenues that do not qualify as program revenues and include investment income and other income. Net position represents the resources that the Commission has available for use in providing services and is composed of unrestricted net position.

Fund Financial Statements - The fund financial statements consist of the balance sheet and the statement of revenues, expenditures, and change in fund balance of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets, current liabilities and deferred inflow/outflow of resources are included on the balance sheet. All current operations of the Commission are accounted for in the general fund.

The fund financial statements are prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 120 days after year-end. Revenues susceptible to accrual include tax revenues, reimbursement grant revenues and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for: compensated absences, net pension liability, other postemployment benefits (OPEB), and lease and subscription-based information technology arrangements (SBITA) which are recorded only when payment is due.

The Commission has combined its government-wide financial statements; the statement of net position and the statement of activities, with its fund financial statements; the balance sheet and the statement of revenues, expenditures, and change in fund balance. The two statements are titled the governmental fund balance sheet and statement of net position and the governmental fund revenues, expenditures, and change in fund balance and statement of activities. An explanation of the reconciliation between the statements is detailed in Note 3.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balance

Net position in the government-wide financial statements at June 30, 2024, consists of the following:

- *Net investment in capital assets* – This category groups all capital assets, including intangible right-of-use assets and related unspent proceeds into one component of net position, Accumulated amortization and related liabilities reduce the balance in this category.

- *Unrestricted Net Position* – This category represents net position of the Commission, not restricted for any project or other purpose.

Fund balance refers to the difference between assets, liabilities, and deferred inflows of resources in the governmental fund balance sheet. Fund balance is categorized as a hierarchy based largely on the extent to which a government is bound to observe spending constraints. Categories included in the balance sheet consists of the following:

- *Committed* – This category comprises amounts intended to be used by the Commission for specific purposes. Intent can be expressed solely by the governing body through a resolution of the Board of Commissioners.

- *Unassigned* – This category is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Please refer to Note 9 for additional details regarding the Commission’s fund balance.

Budgetary Principles

The Commission is required by County ordinance to prepare a budget each year based on estimates of revenues and expected expenditures. On August 2, 2023, the Commission adopted its final budget of expenditures for the fiscal year ended June 30, 2024. The budget is prepared on the modified accrual basis of accounting. The accompanying statement of revenues, expenditures, and changes in fund balance – budget and actual – general fund includes the budgeted expenditures for the year, along with management’s estimate of revenues for the year. The legal level of budgetary control is at the total fund level. The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Unencumbered appropriations lapse at the end of the fiscal year.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

In accordance with SCC §2.99.110(b), the Commission has adopted the County's cash and investment policy and as such, the Commission's cash and investments are held with the Sacramento County Treasurer, as part of the cash and investment pool (as an involuntary participant) with other County funds.

Investments are stated at fair value. However, the value of the pool shares in the County Treasurer's investment pool that may be withdrawn is determined on an amortized cost basis, which approximates fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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(s), and so will not be recognized as an outflow of resources (expense) until the event occurs. The Commission reports deferred outflows related to pensions and other postemployment benefits (OPEB).

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has one item which arises only under the modified accrual basis of accounting. The item, unavailable revenue, is reported only in the general fund, and represents revenue, which will be recognized as an inflow of resources in the period that the amounts become available. In addition, the statement of net position reports deferred inflows of resources related to pensions and OPEB.

Compensated Absences

Commission employees are granted vacation in varying amounts based upon classification and length of service. Additionally, certain employees are allowed compensated time-off (CTO) in lieu of overtime compensation and/or for working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to future years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits.

The Commission does not pay accumulated sick leave to employees who terminate prior to retirement. It is the policy of the Commission to pay all employees in the Management (032) representation unit up to half of their sick leave at retirement.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Commission accrues for compensated absences in the government-wide statement of net position. The liquidation of compensated absences occurs when the hours are used or upon retirement or termination from the Commission.

Pension and Other Postemployment Benefits Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sacramento County Employees' Retirement System (SCERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SCERS. 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. The Retiree Healthcare Plan, an OPEB plan, does not have a trust or equivalent arrangement and is funded on a pay-as-you-go basis.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Effect of New Governmental Accounting Standard Board (GASB) Pronouncements

These statements are effective for fiscal year 2023-2024.

GASB Statement No. 99, *Omnibus 2022* Effective July 1, 2022, the Commission implemented Statement No. 99 paragraphs 4 -10 (paragraphs 11-32 were implemented prior fiscal years ended June 30, 2022, and June 30, 2023, respectively). The objectives of this statement and these paragraphs are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB statements. These paragraphs of this standard had no material impact to the Commission.

GASB Statement No. 100 *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62* Effective July 1, 2023, the Commission implemented Statement No. 100. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This standard had no material impact to the Commission.

NOTE 2 – CASH AND INVESTMENTS

The Commission maintains cash deposits and investments with the County and involuntarily participates in the external investment pool of the County. The Commission's share of the investment pool is separately accounted for, and interest earned, net of related expenses, is apportioned quarterly based upon the relationship of its average daily cash balance to the total of the pooled account.

The following is a summary of the Commission's cash and investments as of June 30, 2024:

Cash in County Treasury	$	20,504,278

The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code (Code). The pool is unrated and is not registered with the U.S Securities and Exchange Commission (SEC) as an investment company.

In addition to the restrictions and guidelines cited in the Code, the County Board of Supervisors annually adopts an "Annual Investment Policy for the Pooled Investment Fund" (Investment Policy). The Investment Policy is prepared by the Department of Finance and is based on criteria cited in the Code. The Investment Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The following table identifies investment types that are authorized by Code Section 53601 and the County's Investment Policy.

Authorized Investment Type	Maximum Maturity (per Code/per policy)	Percentage of Portfolio (per Code/per policy)	Maximum Investment in One Issuer (per Code/per policy)	Minimum Rating Per S&P/Moody's/Fitch per policy
U.S. Treasury and Agency Obligations	5 years	not specified/100%	--	A-1/P-1/F1*
Washington Supranational Obligations	5 years	30%	10%	A-1/P-1/F1*
Municipal Notes	5 years	not specified/80%	10%	SP-1/M1G 1/F1
Registered State Warrants	5 years	not specified/80%	10%	--
Bankers' Acceptances	180 days	40%	10%	A-1/P-1/F1*
Commercial Paper	270 days	40%	10%	A-1/P-1/F1*
Negotiable Certificates of Deposit	5 years/270 days	30%	10%	A-1/P-1/F1*
CRA Bank Deposit/Certificates of Deposit	not specified/1 year	not specified/30%	10%	--
Repurchase Agreements	1 year	not specified/30%	10%	A-1/P-1/F1*
Reverse Repurchase Agreements	92 days	20%	10%	A-1/P-1/F1*
Medium-Term Corporate Notes	5 years/180 days	30%	10%	A-1/P-1/F1*
Collateralized Mortgage Obligations	5 years/180 days	20%	10%	A-1/P-1/F1*
Local Agency Investment Fund	not specified	None	--	A-1/P-1/F1*
Money Market Mutual Funds	not specified	20%	10%	A-1/P-1/F1*

*Per Investment Policy, the issuers short-term credit ratings shall be at or above A-1 by Standard and Poor's (S&P), P-1 per Moody's, and if available, F1 per Fitch, and the issuer's long-term credit ratings shall be at or above A by S&P, A2 by Moody's, and A by Fitch.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The County was in full compliance with its own more restrictive Investment Policy, and therefore complied with the above-cited Code sections.

The Commission does not have a deposit or investment policy that addresses a specific type of risk. Investments held in the County's investment pool are available on demand and are reported at amortized cost, which approximates fair value.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the County's Investment Policy, the dollar-weighted average maturity on all securities shall be equal to or less than three years. As of June 30, 2024, of the County's $8.9 billion in investments held by the Treasurer, 72 percent of the investments have a maturity of six months or less. The weighted average days to maturity for the entire portfolio was 269 days.

Credit Risk – This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The County is permitted to hold investments of issuers with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be A-1 and P-1, and the long-term rating must be A and A2, respectively by Standard & Poor's and Moody's rating agencies. In addition, the County is permitted to invest in the State's Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County that are not rated.

Custodial Credit Risk – This is the risk that in the event a financial institution or counterparty fails, the County would not be able to recover the value of its deposits and investments. As of June 30, 2024, the County has cash deposits with financial institutions in excess of the federal depository insurance limits of $250,000. Banks are required to pledge securities as collateral. Investments are held with a safekeeping agent in the name of the County.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the amount of investment in a single issuer. U.S. Treasury and agency securities are considered to be of the best quality grade, as such, there is no limitation on amounts invested in U.S. Treasury or agency securities per the Code.

Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures can be found in the County's Annual Comprehensive Financial Report (ACFR). The County's ACFR may be obtained by contacting the Department of Finance at 700 H Street, Sacramento, CA 95814.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances of the Commission's governmental funds of $18,510,665 differs by ($630,971) from net position of governmental activities of $17,879,694 primarily due to the long-term economic focus in the government-wide statement of net position versus the current financial resources focus in the governmental fund balance sheet. The effect of the differences is illustrated below:

Deferred outflows of resources, presented in the statement of net position, represents a consumption of net position that applies to future period(s) and, therefore, will not be recognized as an outflow of resources (expense) in the fund financial statements.	
Deferred outflows related to pensions (Note 5)	$ 907,775
Deferred outflows related to OPEB (Note 6)	17,131
Right-to-use assets used in governmental activities are not financial resources, and therefore, are not reported in the funds (Note 7)	365,510
Long-term and other liabilities applicable to the Commission's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Net pension liability (Note 5)	(1,788,542)
Other postemployment benefits (OPEB) liability (Note 6)	(109,134)
Compensated absences (Note 8)	(357,693)
Right-to-use lease liability (Note 8)	(404,991)
Right-to-use SBITA liability (Note 8)	(4,959)
Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) in the fund financial statements.	
Deferred inflows of resources related to pensions (Note 5)	(162,867)
Deferred inflows of resources related to OPEB (Note 6)	(61,074)
Certain revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. However, the revenues are recognized in the government-wide statements.	967,873
Total adjustment	$ (630,971)

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The change in fund balance for the General Fund, ($2,075,209), differs from the change in net position for governmental activities, $(1,845,667), reported in the statement of activities and governmental fund revenues, expenditures, and change in fund balance by $229,542.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and change in fund balance and the government-wide statement of activities are as follows:

The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	$ 27,597
Governmental funds report amounts paid by the Commission for OPEB as expenditures. However, in the statement of activities, OPEB expense is measured as the change in the total OPEB liability, and the amortization of deferred outflows and inflows of resources related to OPEB. This amount represents the net change in OPEB related amounts.	12,466
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in the net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts.	51,575
Amortization expense related to right-to-use assets reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	(159,410)
Governmental funds report debt service principal expenditures related to right-to-use assets. However, the principal payments reduce the liability in the statement of net position.	160,245
The change in unavailable Medi-Cal Administrative Activities (MAA) revenue reported in the statement of activities do not provide current financial resources and are not reported as revenues in governmental funds.	137,069
Total adjustment	$ 229,542

NOTE 4 – DISAGGREGATED DUE TO/FROM BALANCES

Amounts due to the County represent contract payments for program services and administrative services provided to the Commission from the County. Amounts due from the County represent unportioned interest earnings and program reimbursements for the last quarter of fiscal year 2023-24.

Amounts due from other government agencies represent distributions from the State First 5 for Proposition 10 funds and other matching grants, as well as amounts due from the State for MAA. Amounts due to other government agencies include contract payments for program related contracts.

Due To/From the County of Sacramento (County)	**Due To**	**Due From**
County Department of Finance	$ 98,949	$ 486,557
County Department of Child, Family and Adult Services	93,828	313,955
County Department of Human Assistance	322,591	-
County Department of Health Services	278,210	69,494
Total Due To/From the County of Sacramento	$ 793,578	$ 870,006
Due To/From Other Government Agencies		
First 5 California	$ -	$ 1,576,460
State of California	-	859,847
Sacramento County Office of Education	346,767	-
Elk Grove Unified School District	168,544	-
Folsom Cordova Unified School District	62,905	-
Galt Joint Union School District	72,759	-
Natomas Unified School District	165,764	-
River Delta Unified School District	49,069	-
Robla Elementary School District	57,114	-
Sacramento City Unified School District	135,419	-
San Juan Unified School District	98,496	-
Twin Rivers Unified School District	95,028	-
First 5 Amador	6,491	-
First 5 Colusa	12,359	-
El Dorado Office of Education	7,773	-
First 5 Nevada	7,648	-
First 5 San Joaquin	10,454	-
First 5 Sierra	7,774	-
First 5 Tuolumne	17,492	-
First 5 Yuba	11,668	-
Total Due To/From Other Government Agencies	$ 1,333,523	$ 2,436,307

NOTE 5 – RETIREMENT PLAN

Plan Description – Employees of the Commission participate in the County's cost-sharing multiple-employer defined benefit retirement plan (Plan) administered by the Sacramento County Employees' Retirement System (SCERS). The Plan is governed by the Sacramento Board of Retirement (Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the County of Sacramento Board of Supervisors and/or the SCERS Board. SCERS issues a stand-alone financial report, which may be obtained by contacting Sacramento County Employees' Retirement System, 980 9th Street, Suite 1900 Sacramento, California 95814.

Benefits Provided – SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting district become members of SCERS upon employment. There are separate retirement plans for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. All other employees, including all the Commission's employees, are classified as Miscellaneous members. There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981, are included in Tier 1. Those hired after September 27, 1981, but prior to January 1, 2012, are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after January 1, 2012, but prior to January 1, 2013, are included in Tier 4. New members hired on or after January 1, 2013, are designated as PEPRA Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first $350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013. Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member.

NOTE 5 – RETIREMENT PLAN (CONTINUED)

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 member retirees and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area is capped at 4% for Tier 1 members and 2% for all other members eligible for a cost-of-living adjustment.

Contributions – Participating employers and active members (i.e., County), including the Commission and the Commission’s employees, are required by statute to contribute a percentage of covered salary to the Plan. Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The SCERS’s funding policy provides for periodic contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of SCERS is obligated by state law to make all required contributions to the Plan and depending on the participating employer and their employees’ tiers. The average employer contribution rate for the fiscal year ended June 30, 2024 (based on the June 30, 2023, valuation) was 23.16% of covered employee payroll. The Commission’s proportionate share of the County’s contribution to the Plan was $366,417 for the fiscal year ended June 30, 2024

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024 the Commission reported a liability of $1,788,542 for its proportionate share of the County’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission’s proportion of the County’s net pension liability was based on the Commission’s fiscal year 2023 actual contributions to the County’s pension plan relative to the total contributions of the County as a whole. At June 30, 2023, the Commission’s proportion was 0.0896% which was a decrease of 0.0005% from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the Commission recognized pension expense of $308,221. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 5 – RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 281,826	$ -
Net differences between projected and actual investment earnings on pension plan investments	151,608	-
Changes in assumptions	59,710	(130,152)
Changes in proportion	48,214	(32,715)
Employer contributions paid by the Commission to County subsequent to the measurement date	366,417	-
Total	$ 907,775	$ (162,867)

The $366,417 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission's proportion of the County's pension plan will be recognized in pension expense as follows:

Year Ending June 30	
2025	$ 100,663
2026	100,663
2027	100,663
2028	76,502
Total	$ 378,491

Actuarial Assumptions – The Commission's proportion of the County's total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial method and assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30,2023
Actuarial cost method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Investment rate of return and discount rate	6.75%, net of pension plan investment expense, including inflation
Inflation	2.50%
Salary increases	4.25% to 9.75%, varying by service, including inflation and across-the-board salary increases and 0.25% across-the-board salary increases.

NOTE 5 – RETIREMENT PLAN (CONTINUED)

Mortality rates for miscellaneous members used in the latest actuarial valuation dated June 30, 2023, are based on the General Healthy Retiree Amount-Weighted Above-Median mortality table (separate tables for male and females) with rates increased by 10% projected generationally with the two-dimensional mortality improvement scale MP-2019. For Miscellaneous members that are disabled, the ages are set based on the General Healthy Retiree Amount-Weighted Above-Median mortality table (separate tables for male and females) projected generationally with the two-dimensional mortality improvement scale MP-2019.

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 inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, by adding expected inflation and subtracting expected investment expenses and a risk margin.

	As of June 30, 2023 Valuation Date	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return (Arithmetic)**
Global Equity	40.00%	7.05%
Private Equity	11.00%	10.12%
Public Credit – High Yield	1.00%	4.63%
Public Credit – Leveraged Loan	1.00%	4.07%
Private Credit	5.00%	6.69%
Fixed Income – Core	12.00%	1.97%
Fixed Income – U.S. Treasury	4.00%	1.31%
Core Real Estate	6.00%	3.86%
Value Added Real Estate	1.50%	6.70%
Opportunistic Real Estate	1.50%	8.60%
Absolute Return	7.00%	3.00%
Real Assets	7.00%	7.30%
Liquid Real Return	2.00%	4.40%
Cash	1.00%	0.63%
Total	100.00%	

Discount Rate **–** The discount rate used to measure the Total Pension Liability (TPL) was 6.75% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

NOTE 5 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the Net Pension Liability (NPL) of the County as of the measurement date of June 30, 2023, calculated using the discount rate of 6.75%, as well as what the Commission's proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Commission's proportionate share of the County's net pension liability	$ 3,518,402	$ 1,788,542	$ 368,079

Pension Plan Fiduciary Net Position – Detailed information about the County's collective net pension liability is available in the County's separately issued ACFR. The County of Sacramento's ACFR may be obtained on the internet at http://www.finance.saccounty.net/AuditorController/Pages/AcctGeneral.aspx.

Detailed information about the SCERS' fiduciary net position is available in a separately issued SCERS annual comprehensive financial report. That report may be obtained on the internet at: www.retirement.saccounty.net/Pages/FinancialInformation.aspx.

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description - The Commission is a component unit of the County, which provides medical and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The County has established a single employer Retiree Healthcare Plan (HC Plan) in which the Commission participates. The HC Plan does not issue a publicly available report. In September 2021 and September 2022, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2022, and 2024 respectively. The County provides access to group medical insurance and dental insurance, medical and dental offset payments to a specific group of eligible retirees as a result of a settlement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For financial reporting purposes, the Commission reports a proportionate share of the County's collective total OPEB liability, OPEB expense, and deferred inflows and outflows of resources related to OPEB. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost-sharing participant.

Benefits Provided - All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year. Total benefits paid by the Commission during the year ended June 30, 2024, is $5,158.

At June 30, 2023, there were 12 employees covered by the benefit terms under the HC Plan.

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2024 the Commission reported a liability of $109,134 for its proportionate share of the total OPEB liability. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, with a measurement date of June 30, 2024. The Commission's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of the Commission relative to the total FTEs of the County. At June 30, 2023, the Commission's proportion was 0.0904 percent, which was a decrease of 0.0031 percent from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the Commission recognized OPEB expense of $ 615. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Amounts paid for OPEB subsequent to the measurement date	$ 5,159	$ -
Changes in proportion	223	(13,518)
Differences between expected and actual experience	-	(21,853)
Changes in assumptions	11,749	(25,702)
Total	$ 17,131	$ (61,074)

The $5,159 reported as deferred outflows of resources related to OPEB resulting from amounts paid by the Commission subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2025	$ (12,755)
2026	(12,755)
2027	(12,755)
2028	(12,755)
2029	(12,755)
2030-2031	14,674
Total	$ (49,102)

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions - The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial method and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Valuation Date	June 30, 2023
Contribution Policy	No pre-funding
Inflation	2.50%
Medical Trend	Non-Medicare – 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076
Mortality, Retirement, Disability, Termination	6/30/23 SCERS valuation assumptions; Mortality projected fully generational with Scale MP-2021
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2021
Salary Increase	2.75%
Healthcare Participation	45%

Discount Rate **–** The discount rate used to measure the total OPEB liability was 3.65 percent for the plan and was based on the Bond Buyer 20-Bond GO Index.

Changes in the Total OPEB Liability **–** The changes in the total OPEB liability are as follows:

	County's Plan Total	Commission's Proportionate Share
Balance at June 30, 2023	$ 112,348,000	$ 105,035
Changes recognized for the measurement period:		
Service Cost	7,459,000	6,741
Interest	4,142,000	3,743
Actual vs. expected experience	(5,616,000)	(5,075)
Changes of assumptions	8,004,000	7,233
Proportion Change	-	(3,510)
Benefit Payments	(5,569,000)	(5,033)
Net Changes	8,420,000	4,099
Balance at June 30, 2023	$ 120,768,000	$ 109,134
First 5's proportion of the total OPEB Liability		0.0904%
First 5's proportionate share of the OPEB Liability		$ 109,134

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Commission's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate **–** The following presents the Commission's proportionate share of the total OPEB liability, as well as what the Commission's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65) than the current discount rate:

	1.00% Decrease (2.65%)	Current Discount Rate (3.65%)	1.00% Increase (4.65%)
Total OPEB Liability	$ 117,694	$ 109,134	$ 101,234

Sensitivity of the Commission's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates **–** The following presents the Commission's proportionate share of the total OPEB liability, as well as what the Commission's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (7.5% decreasing to 2.45% in 2076)	Current Trend (8.5% decreasing to 3.45% in 2076)	1% Increase (9.5% decreasing to 4.45% in 2076)
Total OPEB Liability	$ 97,978	$ 109,134	$ 122,125

NOTE 7 – LEASES AND SBITAS

On May 6, 2021, the Commission approved a lease agreement with Gateway Oaks, LLC for an 80-month term through March 31, 2028. The lease commenced August 1, 2021. There is no rent for months 1-3 and 12-15, the rent increases every year by $0.05/sq. ft. The lease has no optional term or termination clauses. Total right to use asset value at lease inception was $620,892.

On July 1, 2021, the Commission entered into a SBITA with Persimmony International Inc. for a web-based data management system designed for data collection and reporting necessary for implementation of the Commission's goals and objectives pursuant to Proposition 10. The Commission approved the data management system for one year in an amount not to exceed $68,700, with an option to extend the agreement for two and a half year (July 1, 2021, December 31, 2024) for $68,700 year, and $25,000 for the last half year provided the total maximum payment amount does not exceed $231,100.

Right-to-use activity for the Commission for the fiscal year ended June 30, 2024, was as follows:

	Beginning Balances	Addition	Deletion	Ending Balance
Right to use assets				
Leased building	$ 620,892	$ -	-	$ 620,892
SBITA	154,397	16,179	(11,219)	159,357
Total right-to-use assets being amortized	775,289	16,179	(11,219)	780,249
Less accumulated amortization for:				
Leased building	(178,235)	(93,325)	-	(271,561)
SBITA	(77,093)	(66,085)	-	(143,178)
Total accumulated amortization	(255,328)	(159,410.20)	-	(414,739)
Right to use assets, net of amortization	$ 519,961	$ (143,232)	$ (11,219)	$ 365,510

NOTE 7 – LEASES AND SBITAS (CONTINUED)

The Commission has recorded a right-to-use lease asset pursuant to GASB Statement No. 87. The right-to-use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use asset is amortized on a straight-line basis over the life of the related lease.

NOTE 8 – LONG-TERM LIABILITIES

The Commission's long-term liabilities are comprised of the compensated absences, the right to use lease liability, and SBITA liability. The compensated absences long-term liability decreased by $27,597 during the fiscal year ended June 30, 2024. The Commission has recorded a right to use lease liability and as a result of implementing GASB Statement No. 87 and right-to-use subscription asset and corresponding subscription liability for such contracts with a specified term per GASB Statement No. 96.

The following is a summary of long-term liabilities transactions for the year ended June 30, 2024:

	Beginning Balance	Addition	Deletion	Ending Balance	Due within 1 Year	Due After One Year	Change in Balance
Governmental activities:							
Compensated absences	$ 385,290	$ 128,161	$ (155,758)	$ 357,693	$ 103,569	$ 254,124	$ (27,597)
Lease liability	487,615	-	(82,624)	404,991	103,327	301,664	(82,624)
SBITA liability	77,621	4,959	(77,621)	4,959	4,959	-	(72,662)
Governmental activities long-term liability	$ 950,526	$ 133,120	$ (316,003)	$ 767,643	$ 211,855	$ 555,788	$ (182,883)

The Commission's lease arrangement does not contain any material residual value guarantees. As the interest rate implicit in the Commission's lease is not readily determinable, the Commission utilized the County's incremental borrowing rate to discount the lease payments.

The future minimum lease liability and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2025	$ 103,327	$ 3,314	$ 106,641
2026	106,672	2,343	109,015
2027	110,048	1,341	111,390
2028	84,943	330	85,273
	$ 404,991	$ 7,329	$ 412,319

The Commission has also recorded a SBITA liability as a result of implementing GASB Statement No. 96. The contract is for a one-year term with an option for two one-year extensions. As the interest rate implicit in the Commission's SBITA is not readily determinable, the Commission utilized the County's incremental borrowing rate to discount the SBITA payments.

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

The future minimum SBITA liability and the net present value of these minimum SBITA payments as of June 30, 2024, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2025	$ 4,959	$ 41	$ 5,000

NOTE 9 – FUND BALANCE

A detailed schedule of committed fund balance as of June 30, 2024, is shown below:

Result Area	Committed
Health	$ 330,970
Nutrition	62,318
Preventive Services Access	7,005
Child Care Access	7,786
Quality Child Care	133,384
School Readiness	646,702
Empowered Families	1,184,562
Program Management	48,705
Evaluation	104,023
Systems Improvement	50,977
Administration	228,963
Committed Fund Balance	$ 2,805,395

NOTE 10 – RELATED PARTY TRANSACTIONS

In accordance with SCC §2.99.110(b), the Commission is required to use the County for its personnel, legal, financial and other administrative services. The Commission incurred expenditures/expenses totaling $480,081 for these services during the fiscal year ended June 30, 2024. Additionally, during the fiscal year ended June 30, 2024, the Commission paid the County's Health and Human Services Department $401,186 for programmatic partner services.

NOTE 11 – PROGRAM EVALUATION

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

The Commission expended $527,563 on program evaluation during the fiscal year.

NOTE 12 – CONTINGENCIES

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and is involved in various legal proceedings from time to time in the normal course of business for which the Commission purchases commercial insurance. In management's opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on the financial position or changes in financial position of the Commission.

During the year ended June 30, 2024, the Commission did not reduce insurance coverage from coverage levels in place as of June 30, 2023. There have been no insurance settlements or claims during the years ended June 30, 2024, 2023, and 2022.

NOTE 13 – FUTURE GASB PRONOUNCEMENTS

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Commission has not determined the effect, if any, on the financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, effective for fiscal years beginning after June 15, 2024. The objective of this Statement is to provide users of government financial statements with essential information about risks related to government's vulnerabilities due to certain concentration or constraints. The Commission has not determined the effect, if any, on the financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Commission has not determined the effect, if any on the financial statements.

In October 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The Commission has not determined the effect, if any on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S NET PENSION LIABILITY LAST TEN YEARS*

	Commission's proportion of the net pension liability	Commission's proportionate share of the County's net pension liability	Commission's covered payroll	Commission's proportionate share of the County net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability	Measurement date
2024	0.0896%	$ 1,788,542	$ 1,395,929	128.13%	86.10%	June 30, 2023
2023	0.0901%	$ 1,575,607	$ 1,427,321	110.39%	87.12%	June 30, 2022
2022	0.0344%	$ 145,134	$ 1,374,514	10.55%	96.76%	June 30, 2021
2021	0.0933%	$ 2,531,563	$ 1,352,439	187.18%	78.62%	June 30, 2020
2020	0.0832%	$ 1,725,387	$ 1,244,840	138.60%	82.57%	June 30, 2019
2019	0.1008%	$ 1,821,448	$ 1,316,282	138.38%	82.51%	June 30, 2018
2018	0.1151%	$ 2,225,697	$ 1,422,543	156.46%	80.37%	June 30, 2017
2017	0.1139%	$ 1,845,611	$ 1,312,730	140.59%	81.40%	June 30, 2016
2016	0.0986%	$ 1,059,387	$ 1,177,469	89.97%	87.26%	June 30, 2015
2015	0.0957%	$ 692,823	$ 1,261,514	54.92%	91.02%	June 30, 2014

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore, only the last nine years are shown.

1) Covered payroll represents pensionable compensation for the fiscal year of the measurement period.
2) In FY2017-18, there was a reduction in the discount rate from 7.5% to 7.0%.
3) In FY2020-21, there was a reduction in the discount rate from 7.0% to 6.75%.
4) In FY2021-22, the Plan's contingency reserve was applied to reduce the Plan's net pension liability as of the June 30, 2021 measurement date.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST TEN YEARS*

Fiscal Year	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Commission's covered payroll	Contributions as a percentage of covered payroll
2024	$ 366,417	$ (366,417)	$ -	$ 1,582,231	23.16%
2023	$ 366,004	$ (366,004)	$ -	$ 1,395,929	26.22%
2022	$ 330,388	$ (330,388)	$ -	$ 1,427,321	23.15%
2021	$ 294,167	$ (294,167)	$ -	$ 1,374,514	21.40%
2020	$ 264,518	$ (264,518)	$ -	$ 1,352,439	19.56%
2019	$ 221,647	$ (221,647)	$ -	$ 1,244,840	17.81%
2018	$ 198,349	$ (198,349)	$ -	$ 1,316,282	15.07%
2017	$ 227,808	$ (227,808)	$ -	$ 1,422,543	16.01%
2016	$ 233,176	$ (233,176)	$ -	$ 1,312,730	17.76%
2015	$ 250,640	$ (250,640)	$ -	$ 1,177,469	21.29%

* Fiscal year 2015 was the first year of implementation, therefore, only nine years are shown.

1) Covered payroll represents pensionable compensation for the fiscal year.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S TOTAL OPEB LIABILITY LAST TEN YEARS*

Fiscal Year	Commission's proportion of the total OPEB liability	Commission's proportionate share of the total OPEB liability	Commission's covered-employee payroll	Commission's proportionate share of the total OPEB liability as a percentage of covered-employee payroll	Measurement date
2024	$ 109,134	0.0904%	$ 1,046,577	10.43%	June 30, 2023
2023	$ 105,035	0.0935%	$ 911,288	11.53%	June 30, 2022
2022	$ 121,866	0.1035%	$ 986,751	12.35%	June 30, 2021
2021	$ 144,310	0.1057%	$ 997,623	14.47%	June 30, 2020
2020	$ 121,403	0.1050%	$ 948,228	12.80%	June 30, 2019
2019	$ 182,410	0.1141%	$ 933,188	19.55%	June 30, 2018
2018	$ 177,515	0.1173%	$ 1,024,898	17.32%	June 30, 2017

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation, therefore, only six years are shown.

1) The Commission has no assets accumulated in a trust that meets the criteria identified in paragraph 4 of GASB Statement No. 75.

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OTHER REPORTS

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*

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities and the general fund of the First 5 Sacramento Commission (Commission), a component unit of the County of Sacramento, California, 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 31, 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 were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Macias Gini & O'Connell LLP

Sacramento, California
October 31, 2024

Independent Auditor's Report on State Compliance

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

Report on Compliance

Opinion

We have audited the First 5 Sacramento Commission's (Commission), a component unit of the County of Sacramento, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 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 (*Government Auditing Standards*), and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. 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 contractors or grant agreements applicable to the California Children and Families Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with 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, no such opinion is expressed.

- select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict of Interest	3	Yes
County Ordinance	4	Yes
Long-Range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefits Policies	2	Yes

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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.

Macias Gini & O'Connell LLP

Sacramento, California
October 31, 2024

FIRST 5 SACRAMENTO COMMISSION
Financial Planning Committee
January 23, 2025

Analysis of Financials for Period July 1, 2024 to December 31, 2024

Report Period: 6 months
% of Fiscal Year Complete: 50%

►►► Detail review of selected accounts and accounts greater than 55% expended compared to budget:

20202900 Bus/Conference Exp
Budget: $12,000
Expended: $9,397 (78%)
These expenses reflect cost associated with business and conference expenses. First 5 Staff members will be attending the First 5 Annual Summit in February.

20203900 Emp Transportation
Budget: $1,000
Expended: $668 (67%)
These expenses reflect employee mileage. Higher than anticipated need for employee mileage reimbursements due to more in-person meetings and events.

20205200 Ins Premium
Budget: $40,325
Expended: $52,228 (130%)
These expenses reflect Liability Insurance and Worker's Compensation coverage expenses for FY 2024-25. First 5's policies are negotiated by Sacramento County Risk Management. All County policy premiums increased this year due to the hard market. Overage offset by savings in 20259100 Other Prof Svc.

20206100 Membership Dues
Budget: $32,540
Expended: $33,282 (102%)
Used to pay our annual membership dues to the First 5 Association. Occurs one time annually at the beginning of the fiscal year. Overage offset by savings in 20259100 Other Prof Svc.

20208500 Printing Services
Budget: $2,000
Expended: $1,264 (63%)
Used to pay copier rental costs.

20250500 Accounting Svc
Budget: $40,931
Expended: $28,153 (69%)
Department of Finance accounting support services during the audit period. Most costs are incurred early in the fiscal year.

20281202 Hardware - Software
Budget: $7,000
Expended: $4,266 (61%)
Technology purchases associated with new docking stations to replace non-functioning desktop computers. Purchases should slow down over the course of the year.

20291300 Auditor Services
Budget: $38,100
Expended: $44,440 (117%)
MGO fees for the FY 2023-24 audit. Audit fees have steadily increased each year. Overage offset by savings in 20259100 Other Prof Svc.

20292100 GS Printing Svc
Budget: $3,000
Expended: $3,181 (106%)
Used to pay for one-time printing of evaluation forms. Overage offset by savings in 20259100 Other Prof Svc.

First 5 Sacramento Commission
Results of Operations
For the Fiscal Year Through December 31, 2024

	Account Description	Budget	Total Actual	% of Budget
	Salaries	$1,808,417	$806,010	45%
	Benefits	$978,709	$424,271	43%
	Total Salaries & Benefits	**$2,787,126**	**$1,230,281**	**44%**
20202400	Periodical/Subscriptions	55	-	0%
20202900	Bus/Conference Exp	12,000	9,397	78%
20203100	Business Travel	20,000	-	0%
20203500	Ed/Training Svc	26,800	4,190	16%
20203600	Ed/Training Sup	29,370	3,892	13%
20203800	Employee Recogn	100	-	0%
20203900	Emp Transportation	1,000	668	67%
20205200	Ins Premium - Allocated	40,325	52,228	130%
20206100	Membership Dues	32,540	33,282	102%
20207600	Office Supplies	4,000	2,096	52%
20208100	Postal Svc	100	-	0%
20208500	Printing Svc	2,000	1,264	63%
20222700	Cell Phones	4,200	1,501	36%
20226100	DTECH Equipment Maintenance	609	210	34%
20250500	Accounting Svc	40,931	28,153	69%
20250600	Investment Svc	31,546	6,702	21%
20253100	Legal Svc	13,000	5,731	44%
20259100	**Other Prof Svc**	**18,716,981**	**5,150,886**	**28%**
20259105	Media Svc	55,000	22,400	41%
20271100	DTech Labor	10,000	2,240	22%
20281100	Data Processing Services	3,000	794	26%
20281101	Dtech Fee	300	73	24%
20281200	Data Processing Sup	6,000	1,184	20%
20281202	Hardware - Software	7,000	4,266	61%
20289800	Other Oper. Sup	19,180	1,111	6%
20289900	Other Oper. Svc	700	299	43%
20291000	Countywide IT Services - ACP	13,257	6,621	50%
20291100	DTech Labor - ACP	5,824	2,914	50%
20291200	DTech Fee - ACP	14,632	7,459	51%
20291300	Auditor Svcs	38,100	44,440	117%
20291302	Finance Payroll Services - ACP	732	366	50%
20291303	Finance Payment Services - ACP	3,448	1,724	50%
20291305	Finance Internal Audits - ACP	502	251	50%
20291400	Co Exec Cab Svc	10,005	5,003	50%
20291600	Wan Allocation	25,173	12,585	50%
20291700	Alarm Svcs - ACP	3,406	1,703	50%
20292100	GS PRINTING SVC	3,000	3,181	106%
20292200	GS MAIL/POSTAGE	100	8	8%
20292300	Messenger Services - ACP	5,667	2,913	51%
20292500	Purchasing Services - ACP	2,017	1,008	50%
20294200	Facility Use - ACP	788	394	50%
20294300	Lease Property - ACP	110,399	55,101	50%
20295102	Benefit Admin Svcs - ACP	2,576	1,288	50%
20295103	Employment Services - ACP	9,762	4,881	50%
20295104	Training Svcs - ACP	2,387	1,193	50%
20295105	DPS Dept Svcs Teams - ACP	3,350	1,674	50%
20295106	401A Plan Admin Svcs - ACP	393	196	50%
20295107	Labor Relations - ACP	2,095	1,048	50%
20296200	GS PARKING CHGS	2,000	546	27%
20298300	Surplus Property - ACP	663	-	0%
20298700	Telecommunication - ACP	15,881	8,343	53%
30348000	CW Cost Plan - ACP	6,101	3,048	50%
	Total Services & Supplies	**19,358,995**	**5,500,458**	**28%**
	Total Expenditures	**$22,146,121**	**6,730,739**	**30%**
94941000	Interest	161,662	10,105	6%
95953000	CalWORKs	4,688,443	293,674	6%
95955500	Medi-Cal State Aid	340,000	95,739	28%
95956900	State - Prop 10 Monthly Allocation	8,027,163	3,056,777	38%
95956900	State - Prop 10 Backfill (Prop 56)	2,132,293	-	0%
95956900	State - Prop 10 SMIF	18,941	-	0%
95956900	State - CECET	183,065	84,909	46%
95956900	State - HVCC	1,000,000	-	0%
95956900	State - CAPIT	444,000	-	0%
95959900	State - DHS PLTI	30,000	3,251	11%
95959900	Federal Aid - CBCAP	51,521	-	0%
95959900	Federal Aid - SSB 3.0 (ARPA)	428,895	-	0%
95959900	Federal Aid - BSF (ARPA)	990,000	-	0%
97979000	Misc Other (PLTI HealthNet)	12,500	17,651	141%
	Total Revenue	**$18,508,483**	**3,562,105**	**19%**

First 5 Commission Sacramento
Results of Operations
For the Period Ending December 31, 2024

Descriptions	Budget	Actual	(Over) Under Budget	Remaining Budget
A. REVENUE				
Tobacco Tax Allocation	10,361,462	3,141,685	7,219,777	
Medi-Cal Administrative Activities (MAA)	340,000	95,739	244,261	
CBCAP/CAPIT	495,521	-	495,521	
Interest Earnings	161,662	10,105	151,557	
CalWORKs HVP	4,688,443	293,674	4,394,769	
HVCC	1,000,000	-	1,000,000	
SSB 3.0 (ARPA)	428,895	-	428,895	
BSF (ARPA)	990,000	-	990,000	
DHS PLTI	30,000	3,251	26,749	
Misc Other (PLTI HealthNet)	12,500	17,651	(5,151)	
TOTAL SOURCES OF FUNDS	**18,508,483**	**3,562,105**	**14,946,378**	**81%**
B. FUNDED PROGRAMS				
Health & Well-Being	**8,823,784**	**3,190,809**	**5,632,975**	**64%**
Personnel	243,681	96,700	146,981	
Professional Svcs	8,523,606	3,052,129	5,471,477	
Media & Program Support	56,497	41,980	14,517	
Parent Partnerships	**477,782**	**52,375**	**425,407**	**89%**
Personnel	94,503	39,492	55,011	
Professional Svcs	349,299	2,401	346,898	
Media & Program Support	33,980	10,481	23,499	
Quality Childcare	**639,224**	**88,506**	**550,718**	**86%**
Personnel	43,069	17,593	25,476	
Professional Svcs	582,165	66,053	516,112	
Media & Program Support	13,990	4,861	9,129	
Racial Equity, Diversity & Inclusion	**1,883,833**	**116,857**	**1,766,976**	**94%**
Personnel	102,361	43,921	58,440	
Professional Svcs	1,746,494	61,673	1,684,821	
Media & Program Support	34,978	11,264	23,714	
Systems Improvement	**949,923**	**251,022**	**698,901**	**74%**
Personnel	420,278	171,378	248,900	
Professional Svcs	465,732	45,736	419,996	
Media & Program Support	63,913	33,908	30,005	
Evaluation	**530,696**	**164,941**	**365,755**	**69%**
Personnel	156,694	61,514	95,180	
Professional Svcs	360,033	92,566	267,467	
Media & Program Support	13,969	10,861	3,108	
CalWORKs	**4,688,326**	**1,482,901**	**3,205,425**	**68%**
Personnel	200,925	83,536	117,389	
Professional Svcs	4,468,443	1,384,615	3,083,828	
Media & Program Support	18,958	14,750	4,208	
Home Visiting Collaboration	**1,014,293**	**169,812**	**844,481**	**83%**
Building Strong Families (ARPA)	**928,077**	**283,508**	**644,569**	**69%**
Sleep Safe Baby 3.0 (ARPA)	**442,157**	**53,943**	**388,214**	**88%**
PLTI	**61,680**	**48,759**	**12,921**	**21%**
Total Funded Programs	**20,439,775**	**5,903,433**	**14,536,342**	**71%**
C. OPERATING EXPENSES	**1,358,883**	**692,339**	**666,544**	**49%**
Personnel	896,201	508,418	387,783	
Contracts	150,000	14,243	135,757	
Direct Operating Expenses	214,105	91,337	122,768	
Allocated Operating Expenses	98,577	78,340	20,237	
D. PROGRAM MANAGEMENT	**347,463**	**134,967**	**212,496**	**61%**
TOTAL EXPENDITURES	**22,146,121**	**6,730,739**	**15,415,382**	**70%**