

**FIRST 5 BUTTE COUNTY  
CHILDREN AND FAMILIES COMMISSION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2025**

**FIRST 5 BUTTE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**Commission Membership 2024-25**

<u>Name</u>	<u>Professional Affiliation</u>	<u>Original Appointment</u>	<u>Current Term Expire(s/d)</u>
DeAnne Blankenship, Vice Chair	Butte County Department of Public Health	7/1/23	Per Code position
Shelby Boston, Chair	Butte County Department of Employment and Social Services	1/1/17	1/21/25
Shaun-Adrián Choflá	Butte College, Education, Child & Family Studies Department	1/8/19	6/30/25
Shelley Hart, Chair	California State University, Chico Department of Child Development	9/24/19	6/30/27
Scott Kennelly	Butte County Department of Behavioral Health	9/24/19	Per Code position
Holly Kralj	California State University, Chico School of Nursing	9/24/19	6/30/28
Rumneet Kullar	Child Adolescent Psychiatrist	12/13/22	6/30/27
Matt Reddam	Butte County Office of Education	11/19/19	6/30/28
Tami Ritter	Butte County Board of Supervisors	1/7/19	6/30/27
Tiffany Rowe	Butte County Department of Employment and Social Services	1/21/25	Per Code position
Paul Arnold (Alternate)	Retired Educator	8/18/23	6/30/28

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
First 5 Butte County  
Children and Families Commission  
Oroville, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of the First 5 Butte County Children and Families Commission (The Commission) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise The Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Commission, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 24-25 be presented to supplement the basic financial statements. Such information

is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of the status of prior audit findings is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of the status of prior audit findings is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, 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.



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
October 31, 2025

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT’S DISCUSSION & ANALYSIS  
for the year ended June 30, 2025

***Introduction***


The First 5 Butte County Children and Families Commission (the Commission) is a public entity which disburses Proposition 10 dollars (a 50-cent per pack tax on tobacco products), to implement its Mission (“***To work collaboratively with partners and stakeholders to build a healthy, integrated system of support for young children and their families and caregivers.***”) and to support its Vision (“***Every child in Butte County will have the opportunity for a resilient, thriving future through a nurturing, supportive network of families, caregivers, and their community.***”), as per California Health and Safety Code 130100.


To attain these objectives, the Commission invested local funds in four Initiatives: Health and Development, Strong Families, High Quality Learning, and Sustainability and Systems Change. The Commission utilized First 5 California state funds to support the Home Visiting Coordination Initiative, received Children and Youth Behavioral Health Initiative (CYBHI) grant funding from the State of California Department of Health Care Services to implement the Positive Parenting Program (Triple P) in the First 5 Family Centers, and partnered with the Butte County Office of Education to support data collection for the implementation of Child Parent Psychotherapy for their CYBHI grant, for a total 2024-2025 program investment of \$1,821,203.

A narrative overview and analysis of the Commission’s financial activities for the year ended June 30, 2025, follows.

***Financial Highlights***


The Commission’s Strategic Plan guides the funding activities of the Commission. Financial highlights of the year on a fund accounting basis include:


 Total program revenues amounted to \$2,339,831, an increase of \$868,359 from the previous year.


 The Prop 10 tax apportionment decreased by \$99,235. Prop 56 backfill revenues decreased by \$6,474. The Commission received \$13,461 from the California Electronic Cigarette Excise Tax (Quarter 4 revenues were not received within 60 days of the conclusion of the fiscal year), contributing to total tobacco tax revenues of \$1,086,215 for the fiscal year.<sup>1</sup> Revenues from the First 5 California Home Visiting Coordination initiative contributed \$137,859, which included Commission staff completing deliverables on behalf of First 5 Glenn County. The Home Visiting Coordination initiative concluded at the end of the 2024-25 fiscal year. Interest income totaled \$302,323, up \$79,358. The Commission posted a paper (unrealized) gain of \$123,737 on the fair market value of its pooled investments with the County.


<sup>1</sup> Prop 56 backfill revenues are intended to make up for losses to Prop 10 due to the enactment of the \$2 tobacco tax.)


FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION & ANALYSIS  
for the year ended June 30, 2025


 FY 2024-2025 expenditures totaled \$2,043,806 (net of the lease other financing source), an increase of \$17,858 from the prior year's investments in Butte County children and families.


 During FY 2024-25, \$1,640,496 was expended in support of the Strong Families Initiative. Funded services under the Strong Families Initiative included evidence-based home visitation and the ongoing implementation of First 5 Family Centers in historically underserved communities. Staff time was dedicated to coordinating referrals to home visiting programs; engaging in collaborative home visiting systems improvement opportunities with partner agencies; and supporting the Family Center partners in creating a collaborative network, engaging in staff training, developing implementation plans, and soft launching family strengthening services at their sites. The Commission received a sizeable grant from the State of California Department of Health Care Services to train Family Center staff and other non-funded community partners in the Positive Parenting Program (Triple P). Unspent grant funds from FY 2024-25 will roll over into FY 2025-26 to continue Triple P training and implementation.

 During FY 2024-25, \$104,542 was expended on the Health and Development Initiative. Funding was utilized to provide training, professional development, and collaboration to medical professionals and social service providers in an effort to improve the consistency and quality of perinatal care in Butte County, with a focused emphasis on maternal mental health providers and referrers. The Commission also invested in Help Me Grow Butte (HMG), an early intervention and care coordination system for families with young children who may benefit from developmental screenings and referrals to services.

 During FY 2024-25 \$9,370 was expended on the High Quality Learning Initiative. Funding was utilized to support the Commission's literacy programs, including a weekly nature-based playgroup.

 During FY 2024-25, \$66,796 was expended on the Sustainability and Systems Change Initiative. Funds were used to provide professional development for Commission and grantee staff, to attend community coalition meetings and collaborations, and to develop and disseminate the monthly newsletter and support the Commission's website.

 During FY 2024-25, \$41,719 was expended on evaluation support and activities, including a contract to increase the capacity of the Apricot data collection system to support and improve partner data collection, particularly for the newly implemented Family Centers and Triple P program.

 During FY 2024-25, \$180,883 was expended on administrative expenses, including strategic planning, the required annual financial and compliance audits, county charges, and staff time dedicated to carrying out Commission business. The administrative costs equaled approximately 8.8% of total expenditures.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION & ANALYSIS  
for the year ended June 30, 2025

***Overview of the Financial Statements***

The following discussion and analysis serves as an introduction to the Commission's basic financial statements.

The Commission's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains supplementary information.

1) *Government-wide Financial Statements.* The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The government-wide financial statements are found on pages 11-12 of this report, and include:

- a. The *Statement of Net Position* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net position*.
- b. The *Statement of Activities*, which presents information showing how the Commission's net position changed during the fiscal year. All changes are reported as soon as the underlying event occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (employee leaves earned but not yet used; etc.).

2) *Fund Financial Statements.* A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. The fund financial statements are found on pages 13-14 of this report, and include the:

- a. Balance Sheet, and
- b. Statement of Revenues, Expenditures, and Changes in Fund Balance.

Because the focus of fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare them. Both the Fund Balance Sheet and the Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison. (The slight numerical differences between the two types of statements involve employee leaves earned but not yet taken.)

The Commission adopts annual revenue and expenditure budgets for its fund. A budgetary comparison statement is provided to demonstrate compliance with the budget (pages 24 & 25).

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION & ANALYSIS  
for the year ended June 30, 2025

*Notes to the Financial Statements.* The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 15 of this report.

***Analysis of the Government-wide Financial Statements***

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

A government's financial position can be determined by examining its net position over time. At the close of the current fiscal year, the Commission's assets exceed liabilities by \$7,140,953.

The Commission's assets are maintained in the County Treasurer's investment pool where interest earned on the Commission's balance is apportioned to the Commission. Assets are primarily Proposition 10 tax disbursements received from the State Commission that have not yet been spent. All of the Commission's assets are invested in A or better securities and are committed to multi-year initiatives as per the Strategic Plan. Accounts receivable, Proposition 10 taxes remitted by the State but not received by the Commission at June 30, 2025, are other assets.

At June 30, 2025, the Commission had liabilities of \$615,007. These are payments due on contracts at year-end, and employee leave hours earned but not yet taken and include the grant advances of \$314,825 on the Child Youth and Behavioral Health Initiative program and the Partnership Health Plan Incentive Payment Program.

The Commission's net position increased by \$716,728 during the 2024-25 fiscal year. This change stemmed from a combination of higher than anticipated revenues and lower-than-budgeted operating and program expenditures. The budget to actual comparison is reported on page 24 of this report.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION & ANALYSIS  
for the year ended June 30, 2025

*Governmental Activities*

**Government-Wide Financial Statements**

FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES  
COMMISSION

**Statement of Net Position Comparison**

	FY 24-25	FY 23-24	Difference	FY 22-23
Total Assets	\$ 7,772,325	\$ 6,924,177	\$ 848,148	\$ 6,861,723
Total Liabilities	<u>(633,035)</u>	<u>(499,952)</u>	<u>(133,083)</u>	<u>(216,310)</u>
Net Position	<u>\$ 7,139,290</u>	<u>\$ 6,424,225</u>	<u>\$ 715,065</u>	<u>\$ 6,645,413</u>

**Statement of Activities Comparison**

	FY 24-25	FY 23-24	Difference	FY 22-23
Program Expenses	\$ (2,050,826)	\$ (2,034,602)	\$ (16,224)	\$ (1,516,270)
Program Revenues	2,339,831	1,471,472	868,359	1,414,243
General Revenues	<u>426,060</u>	<u>341,942</u>	<u>84,118</u>	<u>115,653</u>
Change in Net Position	<u>\$ 715,065</u>	<u>\$ (221,188)</u>	<u>\$ 936,253</u>	<u>\$ 13,626</u>

The Commission does not have business-type activities and so the analysis presented above for the government-wide financial statements also represents an analysis of the Commission's governmental activities.

*Analysis of the Fund Financial Statements*

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

For the year ended June 30, 2025, the Commission's ending fund balance is \$7,215,243, an increase of \$722,085 from the prior year, although the Commission's plan is to use the Fund Balance to augment current year revenues to support programs for children and families.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION & ANALYSIS  
for the year ended June 30, 2025

**Fund Financial Statements**

FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES  
COMMISSION

**Balance Sheet Comparison**

	FY 24-25	FY 23-24	Difference	FY 22-23
Total Assets	\$ 7,727,445	\$ 6,924,177	\$ 803,268	\$ 6,861,723
Total Liabilities	<u>(512,202)</u>	<u>(431,019)</u>	<u>(81,183)</u>	<u>(216,310)</u>
Fund Balance	<u>\$ 7,215,243</u>	<u>\$ 6,493,158</u>	<u>\$ 722,085</u>	<u>\$ 6,645,413</u>

**Revenue and Expense Comparison**

	FY 24-25	FY 23-24	Difference	FY 22-23
Total Revenues	\$ 2,765,891	\$ 1,813,414	\$ 952,477	\$ 1,529,896
Total Expenses*	<u>(2,043,806)</u>	<u>(2,025,948)</u>	<u>(17,858)</u>	<u>(1,501,199)</u>
Change in Fund Balance	<u>\$ 722,085</u>	<u>\$ (212,534)</u>	<u>\$ 934,619</u>	<u>\$ 13,626</u>

\*Expenses reported net of "Other Financing Sources" for leases.

Total revenues were over budget by \$321,223, or 13.1%, due to an increase in reported interest and change in the unrealized gains and losses. Total expenditures ended under the final budget by \$801,742 or 28% under budget, due to lower than anticipated costs related to operating and underspent contracts.

***Capital Assets***

The Commission's investment in capital assets for its governmental activities as of June 30, 2025, amounts to zero. Purchases of capital assets were below the Commission's threshold for capitalization and, as such, were charged to expenses when purchased.

***Economic Factors and Next Year's Budget***

The Commission is committed to focusing Proposition 10 funds on the purposes for which they were intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children ages 0 through 5 so that their young brains and bodies will develop appropriately. The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2025-26:

- Following through on commitments made to organizations for contiguous year funding.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION & ANALYSIS  
for the year ended June 30, 2025

- Based on figures from the state Department of Finance, the Commission's Prop. 10 revenue is projected to decrease an average of 3-5% each year, following the passage of the flavor ban in November 2022.
- Interest rate earnings of 1.0% on the local Children and Families Trust Fund.
- In alignment with the intent of Prop 10, the Commission has updated its Strategic Plan for 2021-2026 and its long-term financial plan for 2025-2032. These updates involve making substantial investments from the Commission's fund balance into its Strong Families Initiative to develop and support First 5 Family Centers in the most historically underserved regions of the county. This initiative aims to enhance multiagency collaboration and promote the Five Protective Factors to effectively address the issues affecting children and families. The Commission recognizes that its long-term sustainability, given the expected decline in tobacco tax revenues, depends on developing strategic partnerships with other funding organizations. By blending and coordinating various funding streams aimed towards family strengthening, the Commission believes its investments in the First 5 Family Center network will make the most efficient use of its limited resources. This approach will ensure that children and families have access to necessary resources, and may also position the Commission as a centralized fiscal agent to pursue and administer funds on behalf of the Family Center network.
- The Commission continues to collaborate actively with its community partners and grantees. This is reflected in its current grant funding initiatives and commitments which extend through the current fiscal year.

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 population, not as just another funding source for programs. In that regard, the Commission will continue to evaluate funded programs to determine what most improves the health and well-being of children. This information will be used to help evaluate the overall effect of Proposition 10 in Butte County. The result of these evaluation activities will help to inform the Commission as it plans for its future investments.

***Requests for Information***

Questions or requests for additional information should be addressed to First 5 Butte County Children and Families Commission, PO Box 1646, Oroville, California, 95965; or submitted to [First5admin@buttecounty.net](mailto:First5admin@buttecounty.net).

**BASIC FINANCIAL STATEMENTS**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**

Statement of Net Position  
June 30, 2025

ASSETS

Cash invested with the County Treasurer's pool	\$ 7,072,187
Fair market value adjustment on cash invested	19,112
Due from other agencies	633,074
Prepaid expenses	3,072
Lease assets (net)	<u>44,880</u>
Total Assets	<u>7,772,325</u>

LIABILITIES

Accounts payable and accrued expenses	197,377
Accrued salaries and benefits	74,022
Grant advances	314,825
Lease liability	<u>46,811</u>
Total Liabilities	<u>633,035</u>

NET POSITION

Unrestricted	<u>7,139,290</u>
Total Net Position	<u>\$ 7,139,290</u>

See accompanying notes to financial statements.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**

Statement of Activities  
For the Year Ended June 30, 2025

PROGRAM EXPENSES

Salaries and employee benefits	\$ 688,408
Other operating	91,862
Special funding contracts	<u>1,270,556</u>
Total Program Expenses	<u>2,050,826</u>

PROGRAM REVENUES

Operating grants and contributions:	
Proposition 10 apportionment	746,535
Proposition 56 backfill	326,219
California Electronic Cigarette Excise Tax (CECET)	13,461
Other grants and contracts	476,272
Misc revenue	12,544
Restricted public and private contributions	<u>764,800</u>
Total Program Revenues	<u>2,339,831</u>
Net Program Revenues	289,005

GENERAL REVENUES

Interest income	302,323
Unrealized gain(loss) on pooled investments	<u>123,737</u>
Total General Revenues	<u>426,060</u>
Change in Net Position	715,065
Net Position, Beginning of Year	<u>6,424,225</u>
Net Position, End of Year	<u>\$ 7,139,290</u>

See accompanying notes to financial statements.

**BASIC FINANCIAL STATEMENTS**  
**FUND FINANCIAL STATEMENTS**

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**

Balance Sheet  
June 30, 2025

ASSETS

Cash invested with the County Treasurer's pool	\$ 7,072,187
Fair market value adjustment on cash invested	19,112
Accounts receivable	493,500
Due from other governments	139,574
Prepaid salaries and wages	3,072
Total Assets	<u>\$ 7,727,445</u>

LIABILITIES

Accounts payable	\$ 197,377
Grant advances	314,825
Total Liabilities	<u>512,202</u>

FUND BALANCE

Fund Balance:	
Non-Spendable	-
Restricted	-
Committed	3,433,811
Assigned	3,781,432
Unassigned	-
Total Fund Balance	<u>7,215,243</u>
Total Liabilities and Fund Balance	<u>\$ 7,727,445</u>

**Reconciliation of the Governmental Fund Balance Sheet  
to the Government-Wide Statement of Net Position - Governmental Activities**

Fund Balance - Total Governmental Fund	\$ 7,215,243
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In the governmental fund, only current and near-term assets and liabilities are reported. In the statement of net position, all transactions are reported as soon as the transaction occurs. These consist of:

Employee leave balances	(74,022)
Lease Activities	(1,931)
Net Position of Governmental Activities	<u>\$ 7,139,290</u>

See accompanying notes to financial statements.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**

Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2025

REVENUES

Proposition 10 apportionment	\$ 746,535
Backfill from Proposition 56	326,219
CECET apportionment	13,461
Other grants and contracts	476,272
Restricted public and private contributions	764,800
Interest income	302,323
Misc revenue	12,544
Fair market value adjustment--unrealized gain(loss) on investments	<u>123,737</u>
Total Revenues	2,765,891

EXPENDITURES

Salaries and employee benefits	683,319
Other operating	136,742
Special funding contracts	1,270,556
Debt service: Principal payments on leases	<u>4,440</u>
Total Expenditures	<u>2,095,057</u>

Excess of Revenues Over Expenditures 670,834

Other Financing Sources (Uses)

Lease	<u>51,251</u>
Total Other Financing Sources (Uses)	<u>51,251</u>

Change in Fund Balance 722,085

Fund Balance, Beginning of Year 6,493,158

Fund Balance, End of Year \$ 7,215,243

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Government-Wide Statement of Activities - Governmental Activities**

Net change to fund balance - total governmental fund (from above)	\$ 722,085
Lease activities and debt payment services	(1,931)
Change in Employee leave balances	<u>(5,089)</u>
Change in net position of governmental activities	<u><u>\$ 715,065</u></u>

See accompanying notes to financial statements.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

*Note 1. Nature of the Entity and Summary of Significant Accounting Policies*

**A. Reporting Entity**

The First 5 Butte County Children and Families Commission (the Commission), was established in December 1998 pursuant to Health and Safety Code §130100, and in accordance with the provisions of the California Children and Families First Act of 1998, and by Butte County Ordinance #3470. The nine members of the Commission and four alternates are appointed by the Butte County Board of Supervisors.

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

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

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

**B. Basis of Presentation and Accounting**

*Government- Wide Statements*

The statement of net position and statement of activities display information about the primary government, the Commission. The financial activities of the overall Commission are included.

The statement of activities presents a comparison between program expenses and program revenues for the Commission's governmental activity. Program expenses are those that are specifically associated with the Commission's charge. Program revenues include tax revenues, grants and contributions restricted to meeting the operational or capital requirements of the Commission's charge. Income not classified as program revenues, such as investment income, is presented as general revenue.

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

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

*Note 1. Nature of the Entity and Summary of Significant Accounting Policies (continued)*

*Fund Financial Statements*

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Most of the Commission's expenditures are non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange. These include sales taxes and grants.

The Commission reports one major governmental fund, the general fund. The general fund is the Commission's primary operating fund, accounting for all financial resources.

**C. Due From Other Agencies**

This amount represents receivables from the State Commission, other government agencies, and community foundation grants. Management has determined the Commission's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

**D. Net Position / Fund Balances**

Net Position

The government-wide financial statements utilize a net position presentation. Net Position is categorized as invested capital assets (net of related debt), restricted and unrestricted. The Commission's net position is unrestricted in its entirety, as none of the monies have limits narrower than the purpose of the entire fund itself.

Fund Balance

Fund balance is the arithmetic difference between the assets and liabilities of a governmental fund.

The focus of fund balance reporting is "the extent to which a government is bound to honor constraints on the specific purposes for which the amounts in the fund can be spent." The Governmental Accounting Standards Board (GASB) Statement No. 54 established five components of Fund Balance:

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

*Note 1. Nature of the Entity and Summary of Significant Accounting Policies (continued)*

Fund Balance (continued)

1. Non-spendable. The elements of the Fund Balance that cannot be spent, because of their form, or because they must remain intact. Examples are pre-paid expenses or the principal of an endowment.
2. Restricted. The portion of the Fund Balance that has externally enforceable legal limitations that include:
  - Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 California under specific agreements for services, or matching funds for specific initiatives.
  - Funds legally restricted by county, state, or federal legislature, or government's charter or constitution.

Tobacco tax allocations to county commissions are not automatically categorized as restricted. This is because the purposes for which tobacco tax allocation may legally be used are no narrower than the purpose for which the commissions were created in Proposition 10 enabling legislation.

3. Committed. Two criteria determine if the fund balance is committed as follows:
  - The use of funds is constrained by limits imposed by the government's highest level of decision-making authority, and
  - Removal or modification of the use of funds can be accomplished only by formal action of the authority that established the constraints.

The highest level of decision-making is the First 5 Butte County Commission. Both commitments and modification or removal must occur prior to the end of the reporting period. Formal action of the Commission is defined as an action taken at a publicly-noticed First 5 Butte County Commission meeting. For First 5 organizations, resources in this category include:

- Resources committed for a future initiative as long as Commission action is also required to remove this commitment,
- Resources that have been committed by the Commission for specific agreements that have not yet been executed (such as an Intent to Award Decision), where Commission action is also required to remove this commitment,
- Resources committed as the local match for a State Commission initiative, and
- Funding that has been set aside for previously-executed legally-enforceable contracts, but not yet spent, including multi-year contracts, if such contracts have been approved by the Commission and if cancellation of such contracts would require Commission approval.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

***Note 1. Nature of the Entity and Summary of Significant Accounting Policies (continued)***

Fund Balance (continued)

4. Assigned. The portion of the Fund Balance on which an “intended use” is placed by either the highest level of decision-making of the government, a body established for that purpose, or an official designated for that purpose.
5. Unassigned. Any portion of fund balance in excess of the above categories (a surplus), or in excess of Non-spendable, Restricted, or Committed over total fund balance (a deficit).

**E. Use of Estimates**

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

***Note 2. Cash***

Cash at June 30, 2024 consisted of the following:

Cash invested with the County Treasurer’s pool	\$7,072,187
Fair market value adjustment on invested cash	<u>19,112</u>
Fair market value of cash invested by the County Treasurer	<u>\$7,091,299</u>

The Commission maintains all of its cash and investments with the Butte County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances.

Required disclosure information regarding fair value measurements, categorization of investments, and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Butte's financial statements may be obtained by contacting the County of Butte's Auditor-Controller's office at 25 County Center Drive, Oroville, California 95965. The Butte County Treasury Oversight Committee oversees the Treasurer's investments and policies. Investment reports may be obtained at <http://ttc.buttecounty.net> .

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest. Unrealized gains and losses are recognized as income or expense and as the asset called “Fair market value adjustment on cash in the County Treasury.”

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**Note 3. Related Party Transactions**

During the fiscal year ended June 30, 2025, the Commission paid the County of Butte, a related party, \$697,047 for accounting and other services including commission staffing, as detailed in the following table.

**Related Party Transactions**

<b><u>County Dept.</u></b>	<b><u>24-25 Costs</u></b>
Department of Employment and Social Services (staffing)	\$ 683,319
General Services (contracting)	7,896
Butte County Administration (Board of Supervisors items & County fiscal)	--
County Auditor (accounting)	2,736
County Counsel (legal services)	588
Information Systems (Time keeping & Accounting system support, etc.)	2,004
Treasurer (investing)	12
Support Services Carry-Forward (trues out services used two-years prior)	492
<b>Total</b>	<b>\$ 697,047</b>

**Note 4. Program Evaluation and Allocation of Costs**

The Commission allocates costs between administrative, program and evaluation activities. Direct costs are expensed directly to the category. Indirect costs are allocated based on the amount of time staff spends on each activity. Personnel costs are allocated based on the amount of time spent on those activities. The adjustment between the general fund expenses and the government-wide expenses was the change in the accrued vacation of (\$5,089) and the lease activities of \$ (1,931). The expenses were allocated as follows:

	<u>General Fund</u>	<u>Adjustment</u>	<u>Government-Wide</u>
Program	\$ 1,821,204	\$ --	\$ 1,821,204
Administrative*	180,883	7,020	187,903
Evaluation	41,719	--	41,719
Total	<u>\$ 2,043,806</u>	<u>\$ 7,020</u>	<u>\$ 2,050,826</u>

\* Administrative expenses are reported net of the other financing sources for the lease activities.

**Note 5. Concentrations**

The Commission receives most of its funding from Prop. 10 tobacco tax revenue distributed by the State of California. If these funds were to become unavailable, the Commission may not be able to continue its programs.

**Note 6. Capital Assets**

Capital assets are capitalized at cost and updated for additions and retirements during the year. The Commission does not possess any infrastructures. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. The Commission's investment in capital assets for its governmental activities as of June 30, 2025, amounts to zero. Purchases of assets were below the Commission's threshold for capitalization and, as such, were charged to expense when purchased.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

***Note 7. Joint Powers Agreements***

The Commission participates in an agreement with the joint powers authority (JPA) California State Association of Counties Excess Insurance Authority (CSAC - EIA). The relationship between the Commission and the JPA is such that the JPA is not a component unit of the Commission for financial reporting purposes.

The JPA arranges for and provides liability and workers' compensation coverage for its members. The JPA is governed by a board consisting of representatives from the members. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The Commission's share of year-end assets, liabilities, or fund equity is not calculated by the JPA. Separately issued financial statements can be requested from the JPA.

***Note 8. Risk Management***

The Commission is exposed to various risks including loss or damage to property, general liability, and injuries to employees. No significant changes in insurance coverage from the prior year have been made. As described in Note 7, the Commission participates in risk pools under a JPA for liability and workers' compensation coverage.

***Note 9. California Public Employees Retirement System***

Plan Description

The Commission contracts with the County for personnel. As such the employees are employees of the Public Health Department of Butte County and not the Commission. Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

The Commission reimburses the County for contributions to the pension plan at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for the 2024-25 fiscal year was \$136,001 (which is calculated at 30.30% of salaries: 9.54% goes to employee retirement accounts, 18.57% to pension unfunded liability, and 2.19% to bond payments). This amount is included within the Salaries and Benefits line item. In addition, employees are required to contribute 7% of their salary.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

***Note 9. California Public Employees Retirement System Continued***

Because the Commission's employees are actually employees of the County, the County's financial statements include the required information and disclosures relating to pension liability. The County allocates certain pension costs to the Commission, and requests reimbursements accordingly.

***Note 10. Other Post-Retirement Health Benefits***

In addition to the pension benefits described in Note 9, the County provides post-retirement health benefits to its retirees under various plans. In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosure, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Because the Commission's employees are actually employees of the County, the County's financial statements include the required information and disclosures relating to the OPEB benefits. The County allocates certain OPEB costs to the Commission, and requests reimbursements accordingly.

***Note 11. Section 30131.4 of the California Tax & Revenue Code Certification***

The Commission has certified that the no-supplanting requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

***Note 12. Contingent Liabilities***

The Commission receives funding from the State of California Proposition 10, the Children and Families Act, to fund programs that promote, support, and improve the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the Commission's management does not expect such amounts, if any, to be material.

***Note 13. Budgets and Sustainability***

Budgets are set by the Commission in June of each year. The budget is periodically amended when significant new information becomes available. The Commission's Financial Plan provides a framework for investing the Commission's resources in the community over time. The plan is used as a planning tool, and updated at least once a year after the completion of the annual audit with the actual revenues and expenditures for the year. The Commission revisits the underlying assumptions of the plan every year.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

***Note 14. Uncertainties***

The passage of the ban on flavored tobacco products in November 2022 will likely exacerbate the ongoing decline in Proposition 10 revenues. The full extent to which the flavor ban will impact revenues remains to be seen, and the Commission will continue to use the most conservative revenue estimates in its long-term financial planning. The Commission will continue to seek alternative funding streams to augment or complement existing tobacco tax funding, including grants, possible partnerships with managed health care plans, and systems-level partnerships with other funders. The potential net impacts of tax revenue reductions and blending and braiding of alternative funding upon the Commission’s financial position, as well as changes in net position/fund balances, is uncertain, and the accompanying financial statements include no adjustments relating to the effects of the flavor ban or alternative funding streams.

***Note 15. Leased Assets***

Leased assets are amortized over the life of the lease. See Note 17 for additional information on the leases. The following is a summary of changes in leased assets for the year ended June 30, 2025:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Leased Building	\$ -	\$ 51,251	\$ -	\$ 51,251
Accum. Amortization	-	(6,371)	-	(6,371)
Net Leased Assets	\$ -	\$ 44,880	-	\$ 44,880

***Note 16. Grant Advances***

In the fiscal year ended June 30, 2025, the Commission is the lead agency coordinating the training of the First 5 Family Center Network and other Community Based Organization implementing the Triple P framework with funding through the Children and Youth Behavioral Health Initiative (CYBHI). As of June 30, 2025, CYBHI has advanced \$675,000 of the \$750,000 funding. The Commission used \$390,876 of the advanced funding, leaving \$284,124 in advances to be used in the next year.

The Commission was awarded funds through the Partnership Health Plan (PHP) Incentive Payment Program to develop the Commission’s ability to bill Medi-Cal for qualifying Help Me Grow services. As of June 30, 2025, PHP has advanced \$75,000 of the \$150,000 funding. The Commission used \$44,299 of the advanced funding, leaving \$30,701 in advances to be used in the next year.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

***Note 17. Leases***

Lease agreements are summarized as follows:

Describe	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2025
Office Bldg	1/1/2025	4 years	\$ 10,920	5%	\$51,251	\$ 46,811
Total Lease Agreements						<u>\$ 46,811</u>

The Commission executed a lease agreement for the building which currently houses operations. The lease has a four-year term with monthly rental payments of \$910 and an annual increase of 5%. The lease did not have a stated interest rate so the Commission used the IRS applicable rate for January 2025 for short term loans. The lease ends at December 31, 2029 and would require a new lease agreement if the Commission stays at the location.

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

Year ending June 30	Principal	Interest
2026	\$ 9,055	\$ 2,138
2027	9,801	1,665
2028	10,592	1,161
2029	11,431	609
2030	5,932	87
Total	<u>\$ 46,811</u>	<u>\$ 5,660</u>

***Note 18. Subsequent Events***

Subsequent events were evaluated through October 31, 2025, which is the date the financial statements were available to be issued. There were no events that required disclosure through this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary Fund Balances, July 1, 2024	\$ 5,752,269	\$ 6,493,158	\$ 6,493,158	\$ -
<b><u>RESOURCES (INFLOWS)</u></b>				
Prop 10 apportionment and Prop 56 backfill	\$ 1,000,000	\$ 1,050,000	\$ 1,086,215	\$ 36,215
Other grants and contracts	486,800	602,345	476,272	(126,073)
Restricted public and private contributions	825,000	734,800	764,800	30,000
Interest income	57,523	57,523	302,323	244,800
Misc Revenue		-	12,544	12,544
Fair market value adjustment--unrealized gain(loss) on investments	-	-	123,737	123,737
Total Resource Inflows	<u>2,369,323</u>	<u>2,444,668</u>	<u>2,765,891</u>	<u>321,223</u>
Amounts Available for Appropriation	<u>8,121,592</u>	<u>8,937,826</u>	<u>9,259,049</u>	<u>321,223</u>
<b><u>CHARGES TO APPROPRIATIONS (OUTFLOWS)</u></b>				
Salaries and employee benefits	649,781	671,965	683,319	11,354
Other operating**	260,300	266,967	89,931	(177,036)
Special funding contracts	1,953,629	1,906,616	1,270,556	(636,060)
Total Charges to Appropriations	<u>2,863,710</u>	<u>2,845,548</u>	<u>2,043,806</u>	<u>(801,742)</u>
Net Change in Fund Balances	<u>(494,387)</u>	<u>(400,880)</u>	<u>722,085</u>	<u>1,122,965</u>
Fund Balances, June 30, 2025	<u>\$ 5,257,882</u>	<u>\$ 6,092,278</u>	<u>\$ 7,215,243</u>	<u>\$ 1,122,965</u>

\*\* Operating expenses are reported net of the lease activities and other financing sources for comparison purposes.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

**BUDGET AND BUDGETARY ACCOUNTING**

The Commission prepares and legally adopts its revenue and expenditure budgets before the beginning of each fiscal year. The Commission operation, commencing on July 1st, is governed by the proposed budgets.

The fiscal year operating budget is on a modified accrual basis. The budgets line items are closely monitored and adjustments are made as necessary. Appropriations lapse at year-end.

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION  
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2025**

There were no findings noted in the prior audit report (fiscal year ended June 30, 2024).

See Accompanying Auditor's Report

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*  
INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
First 5 Butte County Children and Families Commission  
Oroville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of First 5 Butte County Children and Families Commission (The Commission), as of and for the year ended June 30, 2025, 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, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of The Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
October 31, 2025

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**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE AND ON  
INTERNAL CONTROL OVER COMPLIANCE**

Board of Commissioners  
First 5 Butte County Children and Families Commission  
Oroville, California

**Report on Compliance**

***Opinion***

We have audited the First 5 Butte County Children and Families Commission’s (Commission) compliance with the requirements specified in the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller’s Office, applicable to the Commission’s statutory requirements identified below for the year ended June 30, 2025.

In our opinion First 5 Butte County Children and Families Commission’s (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, 2025.

***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller’s Office. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

### **Internal Control over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Jensen Smith". The signature is written in a cursive, flowing style.

Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
October 31, 2025

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October 31, 2025

Anna Bauer, Director  
Board of Commissioners  
First 5 Butte County  
Children and Families Commission  
Oroville, California

Dear Ladies and Gentlemen,

Thank you for your confidence in choosing us for your auditing needs. The audit went very smoothly and the change to the electronic format for documents was easy for us to navigate an audit. Staff was very well organized and quick to respond to our inquiries.

In planning and performing our audit of the financial statements of First 5 Butte County Children and Families Commission (the Commission) for the year ended June 30, 2025, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion 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 separate report dated October 31, 2025 contains our report on the Commission's internal control. This letter does not affect our report dated October 31, 2025, on the financial statements of the Commission.

We wish to thank your Director and Administrative Analyst for their assistance in completing the audit and researching our questions. We know they spent many hours preparing for the audit and drafting statements. We appreciated the care taken to make sure we had all the information we needed in order to complete the audit. We wish you success for the next fiscal year.

Sincerely,



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California