FIRST 5 BUTTE COUNTY
CHILDREN AND FAMILIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2026

FIRST 5 BUTTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

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FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES COMMISSION

Commission Membership 2025-26

Name		Professional Affiliation	Original Appointment	Current Term Expire(s/d)
Paul	Arnold	Retired Educator	8/18/23	12/8/25
Amy	Asher	Butte County Probation Department	6/10/25	6/30/28
Deanne	Blankenship, Vice Chair	Butte County Department of Public Health	7/1/23	Per Code position
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

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

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

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

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, and the aggregate remaining fund information of the First 5 Butte County Children and Families Commission (the Commission), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2026, 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 30, 2026

MANAGEMENT'S DISCUSSION & ANALYSIS

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 $2,382,038 of state and local funds into four Initiatives: Health and Development, Strong Families, High Quality Learning, and Sustainability and Systems Change. In addition to tobacco tax funds, this investment was made possible through partnerships and grants. The Commission received Butte Strong funding from the North Valley Community Foundation to support its Family Center network; funding from Partnership HealthPlan to integrate Community Health Worker services into the Family Centers; as well as Children and Youth Behavioral Health Initiative (CYBHI) grant funding from the State of California Department of Health Care Services to provide the Positive Parenting Program (Triple P) in the Family Centers. The Commission partnered with the Butte County Office of Education to support data collection for the implementation of Child Parent Psychotherapy for their CYBHI grant. The Commission also partnered with the Department of Employment and Social Services to administer the Child Abuse Prevention Council and Healthy Families America home visiting. Finally, the Commission partnered with Butte County Public Health, through their funding from the Providing Access and Transforming Health Capacity Infrastructure Transition Expansion and Development (PATH CITED) program, to help families access Enhanced Care Management.

A narrative overview and analysis of the Commission's financial activities for the year ended June 30, 2026, 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-related revenues amounted to $2,819,711, an increase of $479,880 from the previous year.

- The Prop 10 tax apportionment ($766,026) increased by $19,491. Prop 56 backfill revenues ($285,481) decreased by $40,738. The Commission received $12,092 from the California Electronic Cigarette Excise Tax (this includes delayed revenues from Quarter 4 of FY 2024-25; Quarter 4 revenues for FY 2025-26 were not received within 60 days

[1] Prop 56 backfill revenues are intended to make up for losses to Prop 10 due to the enactment of the $2 tobacco tax.)

of the conclusion of the fiscal year and were excluded from the financial statements), contributing to total tobacco tax revenues of $1,063,599 for the fiscal year.[1] Interest income totaled $352,421, up $50,098. The Commission posted a paper (unrealized) loss of $37,267 on the fair market value of its pooled investments with the County.

FY 2025-26 expenditures totaled $2,659,917, an increase of $616,111 from the prior year's investments in Butte County children and families.

During FY 2025-26, $2,205,229 was expended in support of the Strong Families Initiative. The majority of these funds ($1,531,345) were expended through contractual agreements with grantees to deliver Family Center services at multiple locations. Commission 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 maintaining a collaborative network. The Commission fully expended its CYBHI grant from the State of California Department of Health Care Services to train Family Center staff and other community partners in the Positive Parenting Program (Triple P). Family Centers provided a variety of Triple P classes to families throughout the fiscal year. Commission staff also administered the Child Abuse Prevention Council, including organizing community training events and supporting child abuse prevention activities.

During FY 2025-26, $114,705 was expended on the Health and Development Initiative. Funding was utilized to provide 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 2025-26, $8,151 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 2025-26, $53,953 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 2025-26, $47,890 was expended on evaluation support and activities to strengthen the Commission's capacity to collect, manage, analyze, and report program and participant data. Investments included continued development and administration of the Commission's centralized data system, enhancements to data collection and reporting processes, and expansion of the Commission's data infrastructure through data warehousing to integrate data across programs and provide more accessible, timely reporting on service delivery, contract performance, and outcomes. These activities supported ongoing program monitoring, evaluation, grantee accountability, and data-informed decision-making.

During FY 2025-26, $229,989 was expended on Administrative expenses, including strategic planning, the required annual financial and compliance audits, county charges, and staff time and travel dedicated to carrying out Commission business. The administrative costs equaled approximately 8.6% of total expenditures.

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).

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 $7,597,894.

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, 2026, are other assets.

At June 30, 2026, the Commission had liabilities of $395,131. These are payments due on contacts at year-end, net lease liability, and employee leave hours earned but not yet taken, and include the grant advance of $8,000 on the County of Butte District 3 Priority Grant.

The Commission's net position increased by $456,564 during the 2025-26 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.

Governmental Activities

Government-Wide Financial Statements

FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES COMMISSION

Statement of Net Position Comparison

	FY 25-26	FY 24-25	Difference	FY 23-24
Total Assets	$ 7,993,025	$ 7,772,325	$ 220,700	$ 6,924,177
Total Liabilities	(395,131)	(630,995)	$ 235,864	(499,952)
Net Position	$ 7,597,894	$ 7,141,330	$ 456,564	$ 6,424,225

Statement of Activities Comparison

	FY 25-26	FY 24-25	Difference	FY 23-24
Program Expenses	$ (2,678,300)	$ (2,050,826)	$ (627,474)	$ (2,034,602)
Program Revenues	2,819,711	2,339,831	$ 479,880	1,471,472
General Revenues	315,153	426,060	$ (110,907)	341,942
Net Position	$ 456,564	$ 715,065	$ (258,501)	$ (221,188)

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, 2026, the Commission's ending fund balance is $7,690,191, an increase of $474,948 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.

Fund Financial Statements

FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES COMMISSION

Balance Sheet Comparison

	FY 25-26	FY 24-25	Difference	FY 23-24
Total Assets	$ 7,955,718	$ 7,727,445	$ 228,273	$ 6,924,177
Total Liabilities	(265,527)	(512,202)	$ 246,675	(431,019)
Net Position	$ 7,690,191	$ 7,215,243	$ 474,948	$ 6,493,158

Revenue and Expense Comparison

	FY 25-26	FY 24-25	Difference	FY 23-24
Total Revenues	$ 3,134,865	$ 2,765,891	$ 368,974	$ 1,813,414
Total Expenses	(2,659,917)	(2,043,806)	$ (616,111)	(2,025,948)
Change in Fund Balance	$ 474,948	$ 722,085	$ (247,137)	$ (212,534)

Total revenues were over budget by $184,009, or 6.2%, due to an increase in reported interest and change in the unrealized gains and losses. Total expenditures ended under the final budget by $384,819 or 12.6% 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, 2026, 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.
- 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.ca.gov.

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Net Position
June 30, 2026

ASSETS		
Cash invested with the County Treasurer's pool	$	7,899,457
Fair market value adjustment on cash invested		(18,155)
Due from other agencies		71,556
Prepaid salaries and wages		2,860
Lease assets (net)		37,307
Total Assets		7,993,025
LIABILITIES		
Accounts payable and accrued expenses		257,527
Accrued salaries and benefits		90,544
Deferred revenue - grants		8,000
Lease liability (net)		39,060
Total Liabilities		395,131
NET POSITION		
Unrestricted		7,597,894
Total Net Position	$	7,597,894

See accompanying notes to financial statements.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Activities
For the Year Ended June 30, 2026

PROGRAM EXPENSES	
Salaries and employee benefits	$ 736,796
Other operating	208,455
Special funding contracts	1,731,188
Lease expense (net)	1,861
Total Program Expenses	2,678,300
PROGRAM REVENUES	
Operating grants and contributions:	
Proposition 10 apportionment	766,026
Proposition 56 backfill	285,481
CECET apportionment	12,092
Restricted public and private grants and contributions	1,441,287
Prior year(s) unearned grant revenue earned in 25/26 (prior liability)	314,825
Total Program Revenues	2,819,711
Net Program Revenues	141,411
GENERAL REVENUES	
Interest income	352,420
Unrealized gain on investments	(37,267)
Total General Revenues	315,153
Change in Net Position	456,564
Net Position, Beginning of Year	7,139,290
Prior period adjustment - GASB 87 lease correction	2,040
Net Position, End of Year	$ 7,597,894

See accompanying notes to financial statements.

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Balance Sheet
June 30, 2026

ASSETS		
Cash invested with the County Treasurer's pool	$	7,899,457
Fair market value adjustment on cash invested		(18,155)
Due from other governments		71,556
Prepaid salaries and wages		2,860
Total Assets	$	7,955,718
LIABILITIES		
Accounts payable	$	257,527
Deferred revenue - grants		8,000
Total Liabilities		265,527
FUND BALANCE		
Fund Balance:		
Non-Spendable		-
Restricted		-
Committed		3,410,390
Assigned		4,279,801
Unassigned		-
Total Fund Balance		7,690,191
Total Liabilities and Fund Balance	$	7,955,718

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

Fund Balance - Total Governmental Fund	$	7,690,191
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		(90,544)
Lease Activities		(1,753)
Net Position of Governmental Activities	$	7,597,894

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, 2026

REVENUES		
Proposition 10 apportionment	$	766,026
Backfill from Proposition 56		285,481
CECET apportionment		12,092
Restricted public and private grants and contributions		1,441,287
Prior year(s) unearned grant revenue earned in 25/26 (prior liability)		314,825
Interest income		352,421
Fair market value adjustment--unrealized gain on investments		(37,267)
Total Revenues		3,134,865
EXPENDITURES		
Salaries and employee benefits		720,274
Other operating		208,455
Special funding contracts		1,731,188
Total Expenditures		2,659,917
Change in Fund Balance		474,948
Fund Balance, Beginning of Year		7,215,243
Fund Balance, End of Year	$	7,690,191

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)	$	474,948
Prior year correction to beginning GW net position		(109)
Lease activities and debt payment services		(1,753)
Change in Employee leave balances		(16,522)
Change in net position of governmental activities	$	456,564

See accompanying notes to financial statements.

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.

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:

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.

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, 2026 consisted of the following:

Cash invested with the County Treasurer's pool	$7,899,457
Fair market value adjustment on invested cash	(18,155)
Fair market value of cash invested by the County Treasurer	$7,881,302

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 www.buttecounty.net/830/Treasurer---Tax-Collector.

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.

Note 3. Related Party Transactions

During the fiscal year ended June 30, 2026, the Commission paid the County of Butte, a related party, $746,026 for accounting and other services including commission staffing, as detailed in the following table.

Related Party Transactions

County Dept.	25-26 Costs
Department of Employment and Social Services (staffing)	$ 720,274
General Services (contracting)	10,080
Butte County Administration (Board of Supervisors items & County fiscal)	--
County Auditor (accounting)	7,032
County Counsel (legal services)	420
Information Systems (Time keeping & Accounting system support, etc.)	192
Treasurer (investing)	324
Support Services Carry-Forward (trues out services used two-years prior)	7,704
Total	$ 746,026

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 $16,522 and the lease activities of $1,861. The expenses were allocated as follows:

	General Fund	Adjustment	Government-Wide
Program	$ 2,382,038	$ --	$ 2,382,038
Administrative*	229,989	18,383	248,372
Evaluation	47,890	--	47,890
Total	$ 2,659,917	$ 18,383	$ 2,678,300

* 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, 2026, amounts to zero. Purchases of assets were below the Commission's threshold for capitalization and, as such, were charged to expense when purchased.

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 Butte County Department of Employment and Social Services 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 2025-26 fiscal year was $147,979 (which is calculated at 31.46% of salaries: 9.32% goes to employee retirement accounts, 19.96% to pension unfunded liability, and 2.18% 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.

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.

Note 14. Uncertainties

The ongoing decline in tobacco use continues to result in reductions to tobacco tax revenues. The extent and timing of future revenue declines remain uncertain, and the Commission will continue to use conservative, but realistic, 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 continued tobacco tax revenue reductions and the blending and braiding of alternative funding upon the Commission's financial position, as well as changes in net position and fund balances, remain uncertain. Accordingly, the accompanying financial statements include no adjustments relating to the effects of future tobacco tax revenue declines 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, 2026:

	Balance June 30, 2025	Increases	Decreases	Balance June 30, 2026
Leased Building	$ 51,251	$ 2,002	$ -	$ 53,253
Accum. Amortization	(6,371)	(9,575)	-	(15,946)
Net Leased Assets	$ 44,880	(7,573)	-	$ 37,307

Note 16. Grant Advances

In the fiscal year ended June 30, 2026, the Commission fully expended its funding from the Children and Youth Behavioral Health Initiative (CYBHI) and Partnership Health Plan (PHP) Incentive Payment Program and recognized all previously deferred revenue.

The Commission was awarded $8,000 in new funding through the County of Butte District 3 Priorities Grant to provide Fetal Alcohol Spectrum Disorder (FASD) trainings to the community. As of June 30, 2026, the County of Butte advanced the full $8,000 in funding. The Commission will use the funding to host FASD training opportunities in FY 2026-27.

Note 17. Leases

Lease agreements are summarized as follows:

Describe	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2026
Office Bldg	1/1/2025	5 years	$ 11,193	5%	$53,253	$ 38,899
Total Lease Agreements						$ 38,899

Note 17. Leases - continued

The Commission previously executed a lease agreement for the building which currently houses operations. The lease has a five-year term with monthly rental payments of $955.50 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
2027	9,980	1,772
2028	11,092	1,248
2029	12,291	666
2030	6,541	96
Total	$39,904	$ 3,782

Note 18. Subsequent Events

Subsequent events were evaluated through October 30, 2026, 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, 2026

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Budgetary Fund Balances, July 1, 2025	$ 6,092,278	$ 7,215,243	$ 7,215,243	$ -
RESOURCES (INFLOWS)				
Prop 10 apportionment and Prop 56 backfill	$ 990,000	$ 990,000	$ 1,063,599	$ 73,599
Other grants and contracts	1,559,187	1,573,882	1,441,287	(132,595)
Restricted public and private contributions	296,532	314,822	314,825	3
Interest income	60,923	72,152	352,421	280,269
Fair market value adjustment--unrealized gain(loss) on investments	-	-	(37,267)	(37,267)
Total Resource Inflows	2,906,642	2,950,856	3,134,865	184,009
Amounts Available for Appropriation	8,998,920	10,166,099	10,350,108	184,009
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Salaries and employee benefits	794,262	781,762	720,274	(61,488)
Other operating**	319,444	295,262	208,455	(86,807)
Special funding contracts	1,895,814	1,967,712	1,731,188	(236,524)
Total Charges to Appropriations	3,009,520	3,044,736	2,659,917	(384,819)
Net Change in Fund Balances	(102,878)	(93,880)	474,948	568,828
Fund Balances, June 30, 2026	$ 5,989,400	$ 7,121,363	$ 7,690,191	$ 568,828

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

See accompanying Auditor's Report and notes to required supplementary information.

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, 2026

There were no findings noted in the prior audit report (fiscal year ended June 30, 2025).

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

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P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

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 (Commission), as of and for the year ended June 30, 2026, 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 30, 2026.

Internal Control over Financial Reporting

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

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

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

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

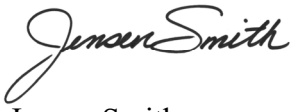
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 30, 2026

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

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P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5),* issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2026

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, 2026.

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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, 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 First 5 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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)* 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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, 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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, but not for the purpose of expressing an opinion on the

effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and

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

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

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

Report on 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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5).* Accordingly, this report is not suitable for any other purpose.

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 30, 2026

Jensen Smith
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P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

October 30, 2026

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, 2026, 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 30, 2026 contains our report on the Commission's internal control. This letter does not affect our report dated October 30, 2026, 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

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California