Lynn M. Stephens, Executive Assistant IV

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Agenda Item F
Presentations/Action Items/Public Hearings Item 1
24-35: Attachment 1

Financial Statements
June 30, 2024

First 5 Riverside
Riverside County
Children and Families Commission

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

FIRST 5
Riverside County
Children & Families Commission

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the First 5 Riverside County Children and Families Commission (Commission), a component unit of the County of Riverside, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2024, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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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, schedules of Commission's proportionate share of net pension liability and contributions and budgetary comparison information as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 First 5 California Funding (Schedule) is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the Schedule 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 October 16, 2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
October 16, 2024

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First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2024

On November 3, 1998, California voters approved Proposition 10, known as the California Children and Families Act. This landmark legislation raised tobacco taxes to generate essential funding for early childhood development programs, benefiting children from the prenatal stage through age five, along with their families.

As management of the Riverside County Children and Families Commission (Commission), we offer readers of the Commission's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2024. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission reported approximately $16.3 million in revenues from First 5 California, representing a decrease of about $1 million, or 5.5%, compared to FY 2022-23. In FY 2023-24, total revenues reached approximately $27.8 million, encompassing income from Tobacco Taxes, First 5 California initiatives (including IMPACT and Home Visiting), the American Rescue Plan Act (ARPA), family resource center reimbursements, investments, and various other programs. This represents an overall decrease of 10.6% compared to the previous fiscal year.

- Commission expenses totaled approximately $26.9 million in FY 2023-24, representing a 17.3% decrease or $5.6 million from FY 2022-23. The decrease is largely attributed to ARPA fund wage enhancement payments distributed in the prior fiscal year. A fourth round of wage enhancement payments commenced late in FY 2023-24, with most disbursements posted in FY 2024-25.

- The Commission's assets rose from $49.8 million in FY 2022-23 to $50.1 million in FY 2023-24, reflecting a 0.5% increase. This growth was primarily driven by an increase in amounts due from other governments.

- In FY 2023-24, the Commission's liabilities totaled approximately $20.6 million, reflecting a 6.1% decrease of $1.3 million from FY 2022-23. This decline is mainly attributed to unearned revenue that was recorded in the new fiscal year and is accrued back to the previous year. Additionally, net pension liability has risen due to an increase in staffing levels.

- The Commission's general fund balance decreased from $33.6 million in FY 2022-23 to $34.6 million in FY 2023-24, an increase of 3.1%.

- The Commission's Net Position increased by 2.9% from $30.8 million in FY 2022-23 to $31.7 million in FY 2023-24.

Overview of the Financial Statements

The Commission's financial statements consist of three parts:

- The government-wide financial statements
- Fund financial statements
- The notes to the financial statements

The Commission's financial statements offer essential high-level financial information about its activities. This report also includes supplemental information to provide additional detail to support the basic financial statements.

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

The government-wide financial statements provide readers with a broad overview of the Commission's finances like a private-sector business. These statements offer long-term and short-term information about the Commission's financial status.

The Statement of Net Position includes information on the Commission's assets, deferred outflows of resources, and liabilities, with the difference between assets, deferred outflows of resources, and liabilities reported as net position. Changes in net position may serve as a valuable indicator of the Commission's financial position.

The Statement of Activities presents information showing how the Commission's net position changed during the fiscal year.

The governmental-wide financial statements are on pages 13-14 of this report.

<u>Fund Financial Statements</u>

Fund accounting ensures and demonstrates compliance with finance-related legal requirements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the year.

The Commission maintains two governmental funds, the General Fund and the ARPA special revenue fund. The Commission adopts an annual budget for its General Fund and ARPA fund. A budgetary comparison schedule has been provided for the General Fund and the ARPA special revenue fund to demonstrate compliance with the budget.

The governmental fund financial statements are on pages 15-18 of this report.

<u>Notes to the Financial Statements</u>

The notes provide additional information that is integral to acquiring a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 19-34 of this report.

<u>Required Supplementary Information</u>

In addition to the basic financial statements and accompanying notes, this report contains required supplementary information related to pension and budget, found on pages 35-38 of this report.

First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2024

Government-Wide Overall Statements Analysis

The following is a summary of the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position comparing FY 2022-2023 to FY 2023-2024:

	June 30, 2024	June 30, 2023	Dollar Increase / (Decrease)	Percent Increase / (Decrease)
Assets:				
Cash and investments	$ 41,231,989	$ 44,190,041	$ (2,958,052)	-6.7%
Interest receivable	341,726	393,567	(51,841)	-13.2%
Due from other governments	6,739,542	3,452,966	3,286,576	95.2%
Capital assets	1,760,728	1,839,911	(79,183)	-4.3%
Total assets	$ 50,073,985	$ 49,876,485	$ 197,500	0.4%
Deferred Outflows of Resources				
Deferred outflows related to pensions	3,508,884	3,812,285	$ (303,401)	-8.0%
Liabilities:				
Accounts payable	$ 4,239,467	$4,153,692	$ 85,775	2.1%
Accrued wages and benefits	315,582	297,745	17,837	6.0%
Use tax payable	87	87	-	0.0%
Due to other Governments	759,280	-	759,280	100.0%
Unearned revenue	8,086,108	10,053,060	(1,966,952)	100.0%
Compensated absences	585,417	494,114	91,303	18.5%
Net pension liability	7,333,106	6,901,560	431,546	6.3%
Total liabilities	21,319,047	$ 21,900,258	$ (581,211)	-2.7%
Deferred Inflows of Resources				
Deferred inflows related to pensions	610,424	977,160	(366,736)	-37.5%
Net Position				
Investment in capital assets	$ 1,760,728	$ 1,782,417	$ (21,689)	-1.2%
Restricted for Early Care & Education Recovery	311,400	-	311,400	100.0%
Unrestricted	29,581,270	28,971,441	609,829	2.1%
Total net position	$ 31,653,398	$ 30,753,858	$ 899,540	2.9%

The Commission's total assets reached $50.1 million, marking an increase of $197,500, or 0.4%, compared to the previous year. Within this total, cash and investments decreased by approximately $3 million, or 6.7%, primarily due to a delay in receiving Proposition 10 funds for the period from March to June. As a result, there was a corresponding increase of $3.3 million in amounts due from other governments. The Commission's total liabilities decreased from $21.9 million in FY 22-23 to $21.3 million in FY 23-24 mainly because of unearned revenue. The Commission transferred to the County of Riverside $2,000,000 of ARPA funds to the Office of Economic Development for the Design-Build Contract for the French Valley Childcare Infrastructure Project. The 4.3% decrease in capital assets resulted from the continued depreciation of the Commission's capital assets. Additional information on capital assets is in Note 4 of this report. The increase in Net Position from FY 22-23 to FY 23-24 was approximately $0.9 million or 2.9%.

Governmental Activities

The following is a detailed summary of the Commission's revenue, expenses, and change in net position comparing FY 2022-23 with FY 2023-24:

	June 30, 2024	June 30, 2023	Dollar Increase / (Decrease)	Percent Increase / (Decrease)
Revenues				
Program revenues				
Tobacco taxes	$ 16,256,575	$ 17,210,826	$ (954,251)	-5.5%
Impact	3,808,592	1,997,354	1,811,238	90.7%
Other programs	5,523,988	10,848,194	(5,324,206)	-49.1%
Total Program Revenue	$ 25,589,155	$ 30,056,374	$ (4,467,219)	-14.9%
General Revenues				
Investment income	2,102,774	1,045,880	1,056,894	101.1%
Contributions from County	98,480	-	98,480	100%
Total Revenues	$ 27,790,409	$ 31,102,254	$ (3,311,845)	-10.6%
Expenses				
Child development				
Salaries and benefits	7,390,809	6,578,893	811,916	12.3%
Professional and specialized services	17,706,290	24,258,728	(6,552,438)	-27.0%
Services and supplies	1,772,081	1,601,463	170,618	10.7%
Capital related	21,689	57,494	(35,805)	-62.3%
Total Expenses	$ 26,890,869	$ 32,496,578	$ (5,605,709)	-17.3%
Net Change in Net Position	899,540	(1,394,324)	2,293,864	-164.5%
Net Position, Beginning of the Year	30,753,858	32,148,182	(1,394,324)	-4.3%
Net Position, End of the Year	$ 31,653,398	$ 30,753,858	$ 899,540	2.9%

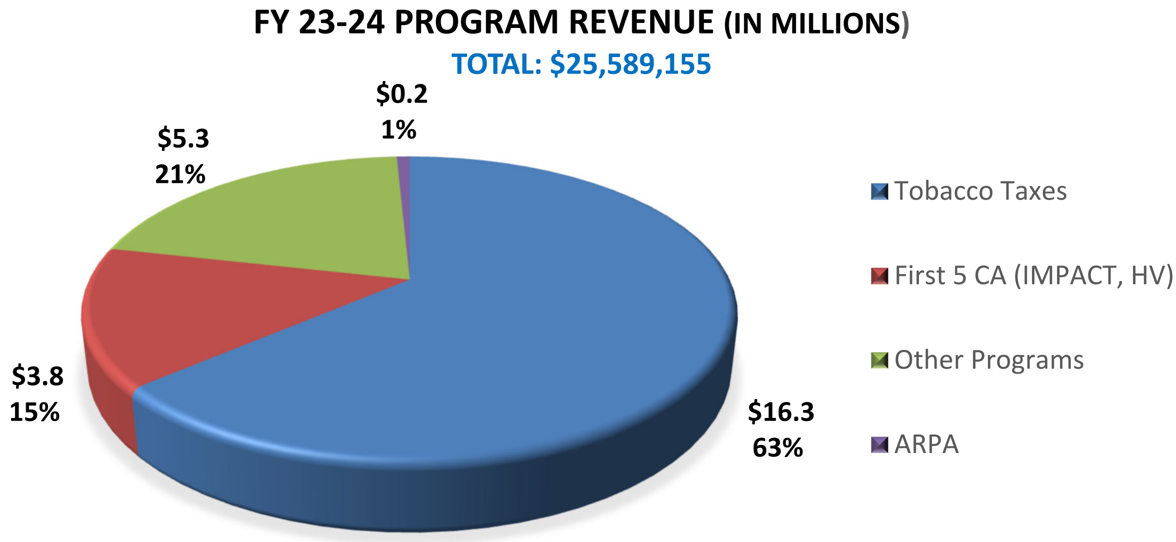
The Commission received approximately $27.8 million in revenues reflecting a decrease of $3.3 million or 10.6% from the prior year. Tobacco tax revenue decreased by $1.0 million, a 5.5% decrease, compared to the previous year.

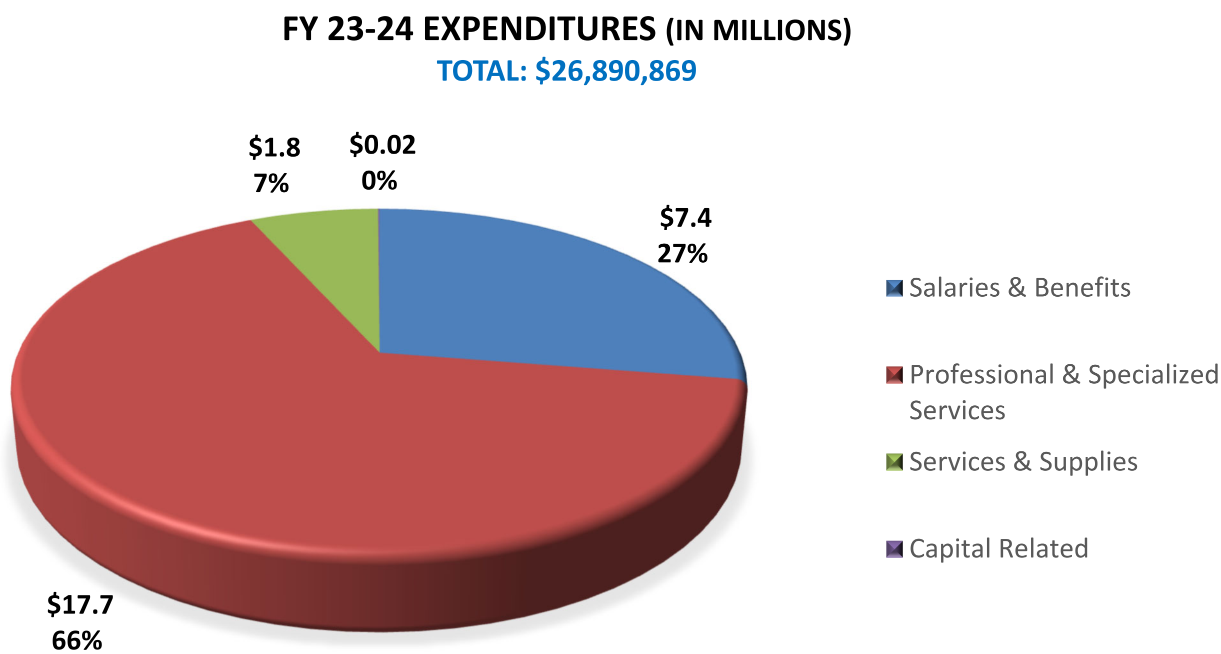
Total expenses for FY 2023-24 decreased by $5.6 million, or 17.3%, compared to the previous year. Salaries and benefits rose by $0.8 million, driven by increased staffing and reclassifications. Professional and Specialized Services saw a decline of $6.6 million, or 27%, largely due to ARPA fund wage enhancement payments distributed in the prior fiscal year. A fourth round of wage enhancement payments commenced late in FY 2023-24, with most disbursements posted in FY 2024-25. Additionally, Services and Supplies experienced a slight increase of $170,618, or 10.7%.

Capital-related expenses decreased by $35,805 from FY 2022-23 to FY 2023-24, largely due to the recent upgrade of audio equipment utilized for Commission meetings.

First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For Year Ended June 30, 2024

Below are revenue and expenses for FY 23-24, depicting each category in millions:





Financial Analysis of Governmental Funds

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

Governmental Funds

The focus of the Commission's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Fund balance is a valuable measure of the Commission's committed and available net resources for future operations.

Fund Balances	June 30, 2024	June 30, 2023	Dollar Increase/ (Decrease)	Percent Increase/ (Decrease)
Committed	$ 15,516,430	$ 17,584,988	$ (2,068,558)	-11.8%
Unassigned	19,084,903	15,974,384	3,110,519	19.5%
Total Fund Balance - General Fund	$ 34,601,333	$ 33,559,372	$ 1,041,961	3.1%

The general fund is the chief operating fund of the Commission. At the end of FY 23-24, the general fund balance increased by 3.1% or approximately $1.0 million from FY 22-23. To measure the general fund's liquidity, comparing total fund balance to total general fund expenditures is useful. Total general fund expenditures of $26.2 million represent approximately 75.6% of the general fund balance of $34.6 million. The ARPA fund balance totaled $311,400 and is restricted for Early Care & Education Recovery.

General Fund Budgetary Highlights

The Commission FY 2023-2024 amended budget was compared to the actual revenues and the differences between estimated revenues and actual revenues were as follows:

Revenues	Final Budget	Actual Revenue	Over/(Under) Estimate	Percent change
Tobacco Taxes	$ 16,574,768	$ 16,256,575	$ (318,193)	-1.9%
IMPACT	3,966,793	3,808,592	(158,201)	-4.0%
Other programs	8,067,007	5,273,496	(2,793,511)	-34.6%
Investment income	350,000	1,762,793	1,412,793	403.7%
Total Revenue	$ 28,958,568	$ 27,101,456	$ (1,857,112)	-6.4%

Tobacco Tax revenue totaled $318,193 below projections, primarily due to declining sales of tobacco products in California. This revenue includes the California Electronic Cigarette Excise Tax (CECET), which is set at 12.5% of the retail selling price of electronic cigarettes.

First 5 CA initiatives include IMPACT and home visiting. Other program revenue was 34.6% less than projected since CalWORKs home visitation services were lower than projected.

Investment income was budgeted based on historical data and actual investment income was 403.7% higher than projected resulting in investment income.

The differences between estimated and actual expenditures were as follows:

Expenditures	**Final Budgeted Expenditures**	**Actual Expenditures**	**Over/(Under) Estimate**	**Percent change**
Salaries and Benefits	$ 8,285,045	$ 6,931,295	$ (1,353,750)	-16.3%
Professional and Specialized Services	19,600,000	17,454,599	(2,145,401)	-10.9%
Services and Supplies	3,558,344	1,772,081	(1,786,263)	-50.2%
Total Expenditures	$ 31,443,389	$ 26,157,975	$ (5,285,414)	-22.8%

Actual salary and benefits totaled $6.9 million, which is below the budgeted $8.3 million. This difference is primarily attributable to ongoing staff vacancies and recruitment challenges.

Professional and Specialized Services were 10.9% less than budgeted since program revenues were lower than projected.

ARPA Fund Budgetary Highlights

Revenues	**Final Budget**	**Actual Revenue**	**Over/(Under) Estimate**	**Percent change**
Other programs	$ 10,000,000	$ 250,492	$ (9,749,508)	-97.5%
Investment income	-	339,981	339,981	100%
Total Revenue	$ 10,000,000	$ 590,473	$ (9,409,527)	-94.1%

Expenditures	**Final Budgeted Expenditures**	**Actual Expenditures**	**Over/(Under) Estimate**	**Percent change**
Salaries and Benefits	$ -	$ -	$ -	100%
Professional and Specialized Services	10,000,000	251,691	(9,748,309)	-97.5%
Services and Supplies	-	-	-	100%
Total Expenses	$ 10,000,000	$ 251,691	$ (9,748,309)	-22.8%

Compensated Absences

During the fiscal year, the Commission experienced a net increase of $91,303 in compensated absences, primarily due to new employees joining with significant leave balances.

Please refer to Note 5 in the Notes to the Financial Statements for more information on compensated absences.

Capital Assets

During FY 2023-2024, the Commission's Net Capital Assets decreased $79,183 due to accumulated depreciation. Please refer to Note 4 in the Financial Statements for more information on capital assets.

Economic Factors and Next Year's Budget

Over the past ten years, Proposition 10 has seen an average annual decline of 6%, while Proposition 56 continues to rise. As a result, total tobacco tax revenue decreased by 5.5% from FY 22-23 to FY 23-24. With the flavor ban implemented last year, tobacco tax revenue is anticipated to decline at an even faster rate.

Additionally, the Commission oversaw and managed approximately $10 million from the American Rescue Plan Act (ARPA) in FY24, dedicated to the Early Care & Education (ECE) Recovery Fund. This funding aims to stabilize and expand access to early care and education, facilitating the return of working parents to the workforce and supporting the expansion of ECE facilities.

Request for Information

This financial report aims to offer a comprehensive overview of the Commission's financial status. For any questions regarding the information presented or for requests for further details, please reach out to Yvonne Suarez, Assistant Director of the Riverside County Children and Families Commission (First 5 Riverside), at 585 Technology Court, Riverside, California 92507.

Basic Financial Statements

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	Governmental Activities
Assets	
Cash and investments in County Treasury	$ 41,231,989
Interest receivable	341,726
Due from other governments	6,739,542
Capital assets not being depreciated	373,380
Capital assets, net of accumulated depreciation	1,387,348
Total assets	50,073,985
Deferred Outflows of Resources	
Deferred outflows related to pensions	3,508,884
Liabilities	
Accounts payable	4,239,467
Accrued wages and benefits	315,582
Use tax payable	87
Due to other governments	759,280
Unearned revenue	8,086,108
Compensated absences	
Payable within one year	351,061
Payable after one year	234,356
Net pension liability	7,333,106
Total liabilities	21,319,047
Deferred Inflows of Resources	
Deferred inflows related to pensions	610,424
Net Position	
Investment in capital assets	1,760,728
Restricted for Early Care & Education Recovery	311,400
Unrestricted	29,581,270
Total net position	$ 31,653,398

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities			
Child development	$ 26,890,869	$ 25,589,155	$ (1,301,714)
Total governmental activities	$ 26,890,869	$ 25,589,155	(1,301,714)
	General Revenues		
	Investment income		2,102,774
	Total general revenues		2,102,774
	Change in net position before County contributions		801,060
	Contributions from County		98,480
	Change in Net Position		899,540
	Total Net Position - Beginning		30,753,858
	Total Net Position - Ending		$ 31,653,398

	General Fund	ARPA Fund	Total
Assets			
Cash and investments in County Treasury	$ 33,041,660	$ 8,190,329	$ 41,231,989
Interest receivable	341,726	-	341,726
Due from other governments	6,739,542	-	6,739,542
Total assets	$ 40,122,928	$ 8,190,329	$ 48,313,257
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 4,235,126	$ 4,341	$ 4,239,467
Accrued wages and benefits	315,582	-	315,582
Use tax payable	87	-	87
Unearned revenue	211,520	7,874,588	8,086,108
Due to other governments	759,280	-	759,280
Total liabilities	5,521,595	7,878,929	13,400,524
Fund Balances			
Fund Balance			
Committed	15,516,430	-	15,516,430
Restricted		311,400	311,400
Unassigned	19,084,903	-	19,084,903
Total fund balance	34,601,333	311,400	34,912,733
Total liabilities and fund balance	$ 40,122,928	$ 8,190,329	$ 48,313,257

Amounts reported for governmental activities in the Statement of Net Position are different because	
Fund Balance of Governmental Funds	$ 34,912,733
Capital assets used for governmental activities in the amount of $2,412,342 net of $651,614 in accumulated depreciation, are not financial resources and therefore, are not reported in the funds.	1,760,728
Governmental funds report pension contributions to the plan as expenditures, however in the statement of net position contributions are recorded as deferred outflows of resources to reduce the net pension liability at a future date. Additionally, the net pension liability is recorded in the statement of net position as a long-term liability. The following reconciles adjustments related to the net pension liability	
Net pension liability	(7,333,106)
Deferred outflows of resources	3,508,884
Deferred inflows of resources	(610,424)
Compensated absences liability is not reported in the fund financial statements.	(585,417)
Net Position of Governmental Activities	$ 31,653,398

	General Fund	ARPA Fund	Total
Revenues			
Tobacco taxes	$ 16,256,575	$ -	$ 16,256,575
IMPACT	3,808,592	-	3,808,592
Other programs	5,273,496	250,492	5,523,988
Investment income	1,762,793	339,981	2,102,774
Total revenues	27,101,456	590,473	27,691,929
Expenditures			
Current			
Child development			
Salaries and benefits	6,931,295	-	6,931,295
Professional and specialized services	17,454,599	251,691	17,706,290
Services and supplies	1,772,081	-	1,772,081
Total expenditures	26,157,975	251,691	26,409,666
Excess of Revenues over Expenditures	943,481	338,782	1,282,263
Other Financing Sources (Uses)			
Contributions from County	98,480	-	98,480
Total other financing sources (uses)	98,480	-	98,480
Net Change in Fund Balance	1,041,961	338,782	1,380,743
Fund Balance (Deficit), Beginning of Year	33,559,372	(27,382)	33,531,990
Fund Balance, End of Year	$ 34,601,333	$ 311,400	$ 34,912,733

Amounts reported for Governmental Activities in the Statement of Activities are different because	
Net Change in Fund Balance - Total Governmental Funds	$ 1,380,743
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(21,689)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in net pension liabilility and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts.	(368,211)
Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.	(91,303)
Change in Net Position of Governmental Activities	$ 899,540

Notes to Financial Statements

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Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Riverside County Board of Supervisors established First 5 Riverside, also known as Riverside County Children and Families Commission ("the Commission") in 1999 under the provisions of the California Children and Families Act of 1998 (Act). The Commission provides support for all children, prenatal through five years, and their families to improve early childhood development. The Commission is funded through cigarette tax revenue generated as a result of the California voter approval of the Proposition 10 Act ("Prop 10") in November 1998. A governing board of nine members, which are appointed by the County Board of Supervisors, administers the Commission. The composition of the Commission is consistent with the requirements set forth in the Proposition 10 legislation and the local Riverside County Ordinance No. 784.

The Commission is a component unit of the County of Riverside, California. The Commission implements comprehensive and integrated systems for children to thrive in supportive, nurturing and loving environments; enter school healthy and ready to learn and become productive and well- adjusted as members of society. The Commission developed a strategic plan to guide activities and funding for the period of June 2023 through June 2026. The Commission's primary goals are: 1) to foster a healthy community and provide access to affordable, comprehensive and preventive mental and physical health services 2) to expand the availability of quality, accessible and affordable Child Care services and 3) to educate Riverside County residents about the lifelong implication of optimal development through age 5.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the activities of the reporting entity. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) on pages 13 and 14 are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions to local grantee organizations are recognized as expense when criteria for grant payments are met by the grantee organization. The *Statement of Net Position* presents the Commission's overall financial position. The *Statement of Activities* reports the change in net position in a net program cost format to demonstrate the degree to which the expenses of the Commission are offset by its program revenues. The Commission's principal activity is child development.

Governmental fund financial statements, presented after the government-wide financial statements, are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recognized in the accounting period in which the liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due. Revenues collected in advance are recorded as advances (Unearned Revenue) and recognized in the period earned.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Commission.

The Coronavirus State and Local Fiscal Recovery Funds (*ARPA fund)* is a special revenue fund. This fund supports the resilience of the overall economy by allowing more parents to access early care and education (childcare) so that they are able to return to work after experiencing the negative impacts of COVID-19 within Riverside County.

D. Accounting and Reporting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

E. Cash and Investments

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

F. Capital Assets

Capital assets are recorded at historical cost. The capitalization threshold for equipment is $5,000; buildings, land and land improvements is $150,000. Betterments result in a more productive, efficient or long-lived asset. Significant betterments are considered capital assets when they result in an improvement of $2,500 or more. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide statements. The estimated useful lives are as follows: Buildings 25-60 years, Improvements 10-20 years, Equipment 3-20 years. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the changes in financial position.

G. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Commission has one item that qualifies for reporting in this category: Deferred outflows related to pensions.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category: Deferred inflows related to pensions.

H. Unearned Revenue

Revenues collected in advance of incurring eligible expenses are recorded as advances (Unearned Revenue) and recognized in the period to which they apply. As of June 30, 2024, the Commission has unearned revenues of $8,086,108.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

J. Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Riverside's Miscellaneous Pension Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Net Position and Fund Balance

Net Position

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred outflows (inflows) of resources, and may be classified into three components:

- Investment in Capital Assets – This balance reflects the net position of the Commission that are invested in capital assets. This amount is generally not accessible for other purposes.
- Restricted Net Position – This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. At June 30, 2024, no amounts are reported under this category.
- Unrestricted Net Position – This balance represents the net position that is available for general use.

Fund Balance

The following classifications describe the relative strength of the constraints placed on the purposes for which resources can be used:

- Nonspendable Fund Balance – Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.
- Restricted Fund Balance – Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed Fund Balance – Amounts with self-imposed limitations and require both the approval of the highest level of decision-making authority (Commissioners) and the same formal action to remove or modify limitations. The formal action required by the Commissioners for funds to be committed is action by the way of a formal action item allocating funding for a specific purpose, program or initiative.
- Assigned Fund Balance – Amounts that are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. The Commission is the only authority allowed to assign amounts to be used for specific purposes.
- Unassigned Fund Balances – These are residual resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative fund balance of special revenue funds.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources, as they are needed. For unrestricted resources, decreases in fund balance first reduce committed fund balance, in the event that committed fund balance becomes zero, then assigned and unassigned fund balances are used in that order.

M. Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 99 – *Omnibus 2022* – In April 2022, GASB issued Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in account and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. The Commission has determined that there was no material impact on the Commission's financial statements.

GASB Statement No. 100 – *Accounting Changes and Error Correction* – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Correction.* The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Commission has determined this Statement did not have an impact on the financial statements.

Effective in Future Fiscal Years

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The Commission has not determined the effect of the following Statements:

GASB Statement No. 101 - *Compensated Absences*
GASB Statement No. 102 – *Certain Risk Disclosures*
GASB Statement No. 103 – *Financial Reporting Model Improvements*

Note 2 - Cash and Investments

Cash and Investments are classified in the accompanying financial statements as follows:

Cash and Investments in County Treasury	$ 41,231,989
Total cash and investments	$ 41,231,989

Investments Authorized by the California Government Code

The Commission is authorized under the California Government Code to make direct investments and has adopted the Riverside County Statement of Investment Policy and any amendments, therein. The Commission maintains policies for exposure to interest rate risk, credit risk, and concentration of credit risk, as stated in the policy. The following are investments authorized under the Riverside County Statement of investment Policy, which is more limited than those authorized under the California Government Code:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
Municipal Bonds (Muni)	5 years	15%
U.S. Treasury	5 years	100%
Local Agency Obligations (LAO)	3 years	2.5%
Federal Agencies	5 years	100%
Commercial Paper	270 days	40%
Certificate & Time Deposits (NCD & TCD)	2 years	20%
International Bank for Reconstruction and Development and International Finance Corporation	5 years	20%
Repurchase Agreements (REPO)	45 days	40% max/25% in term repo over 7 days
Reverse Repurchase Agreements	60 days	10%
Medium Term Notes (MTNO)	4 years	20%
CalTRUST Short Term Fund	Daily Liquidity	1%
Money Market Mutual Funds (MMF)	Daily Liquidity	20%
Local Agency Investment Funds (LAIF)	Daily Liquidity	Max $50 million
Cash/Deposit Account	NA	NA

Investment in Riverside County Treasurer's Pooled Investment Fund

The Commission maintains all of its funds with the Riverside County Treasurer. For information regarding interest rate risk, credit risk, concentration of credit risk, and custodial credit risk of the Riverside County Treasurer's Pool refer to the County of Riverside Annual Comprehensive Financial Report.

The Riverside County Treasurer maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Interest is apportioned to the Commission based on the average daily balances on deposit with the Riverside County Treasurer.

The Commission is an involuntary participant in the pool regulated by the California Government Code, under the oversight of the Treasurer of the County of Riverside and Treasury Oversight Committee. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the County of Riverside for the entire pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the pool, which are recorded on an amortized cost basis. The weighted average maturity of the pool was 1.15 years at June 30, 2024. The County pool investment fund is rated AAA-bf by Moody's Investor Service and AAA/V1 by Fitch Ratings.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2024, the Commission held no individual investments. All funds are invested in the Riverside County Investment Pool.

Deposits and withdrawals are made on the basis of $1 and not fair value. Accordingly, the Commission's investment in the Riverside County Investment Pool at June 30, 2024 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

Note 3 - Due from Other Governments

Due from other governments represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues. The amounts due at June 30, 2024, were as follows:

Prop 10 Revenue For March - June 2024	$ 3,560,355
IMPACT	2,483,098
SMIF (interest)	110,707
Other	585,382
Total due from other governments	$ 6,739,542

Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2024, is shown below:

	Beginning	Increases	Decreases	Ending
Capital Assets Not Depreciated				
Land	$ 373,380	$ -	$ -	$ 373,380
Capital Assets Depreciated				
Building and improvements	1,897,938	-	-	1,897,938
Machinery and equipment	91,044	49,980	-	141,024
Total depreciable assets	1,988,982	49,980	-	2,038,962
Less - Accumulated Depreciation For				
Building and improvements	(490,084)	(53,827)	-	(543,911)
Machinery and equipment	(89,861)	(17,842)	-	(107,703)
Total accumulated depreciation	(579,945)	(71,669)	-	(651,614)
Total capital assets depreciated, net	1,409,037	(21,689)	-	1,387,348
Total capital assets, net	$ 1,782,417	$ (21,689)	$ -	$ 1,760,728

Depreciation expense for the year ended June 30, 2024 totaled $71,669 and is included in child development in the statement of activities.

Note 5 - Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2024, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was $585,417.

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and the Public Employee's Retirement System, unused accumulated sick leave for most employees with at least five (5) but less than 15 years of service shall be credited at the rate of 50% of current salary value thereof provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. Unused accumulated sick leave for employees with more than fifteen or more years of service shall be credited at the rate of the current salary value provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in one year
Compensated Absences	$ 494,114	$ 274,652	$ 183,349	$ 585,417	$ 351,061

Note 6 - Net Position and Fund Balance

The details of the fund balances as of June 30, 2024, are presented below:

	General Fund	ARPA Fund	Total
Fund Balance			
Restricted to			
Early Care & Education Recovery	-	$ 311,400	$ 311,400
Committed to			
Budgetary Stabilization Reserve	$ 6,000,000	-	6,000,000
RUHS-MC MFM Capacity Building	3,349,751	-	3,349,751
Inland Southern California United Way	1,533,600	-	1,533,600
ECE Facility Projects	4,633,079	-	4,633,079
Total committed	15,516,430	-	15,516,430
Unassigned			
Unassigned Fund Balance	19,084,903	-	19,084,903
Total fund balance	$ 34,601,333	$ 311,400	$ 34,912,733

Stabilization Arrangement

In May 2018, the Commission approved Action Item #18-12. Under the formal action, a portion of the fund balance of the General Fund is committed for budget stabilization arrangement, such as might be needed when revenue shortages or budgetary imbalances occur. The Policy states that, at fiscal year-end, an amount equal $6,000,000 of the General Fund is to be committed for use to maintain services at the same level as was contracted in the event of revenue budgetary shortfall (revenue fall 10% below budget). At June 30, 2024, $6,000,000 was committed for the budgetary stabilization reserve.

Minimum Fund Balance Policy

In May 2018, the Commission approved Action Item #18-12, which created a minimum fund balance reserve policy. The minimum fund balance reserve is set at an amount equal $4,000,000. The reserve is to be replenished as soon as economic conditions allow. As of June 30, 2024, the Commission had $4,000,000 of the targeted reserve amount of $4,000,000 in unassigned fund balance, pursuant to the policy.

Note 7 - Special Funding – Other Programs

The Riverside IMPACT (Improve and Maximize Programs so All Children Thrive) Legacy program is dedicated to enhancing the quality of early learning environments across a diverse range of voluntary settings. This includes licensed centers, family child-care homes (FCCH), legally exempt centers, family, friend, and neighbor (FFN) care, as well as alternative settings for children aged 0 to 5. First 5 California has awarded the Commission $7,698,631 to support the IMPACT initiative over a two-year period starting in FY 23-24. As the fiscal lead for the region, this amount includes pass-through funds for First 5 San Bernardino, Orange County, and Imperial. By June 30, 2024, a total of $3,674,448 has been claimed. The First 5 IMPACT program requires matching contributions from program partners at a ratio of two to one—meaning for every dollar of local funding, there are two dollars of First 5 California funding. Additionally, the Home Visitation program, funded through First 5 California, has received $134,144, bringing the total funding for all initiatives to $3,808,592. The Commission has also secured $76,356 in IMPACT-related funding from the Riverside County Office of Education.

The Riverside County Department of Public Social Services has provided an additional $2,556,503 to support five family resource centers across the county. On September 14, 2021, and January 24, 2023, the Riverside County Board of Supervisors approved the allocation of $15,000,000 and $8,000,000, respectively, in federal funding through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) as part of the American Rescue Plan Act of 2021 (ARPA). These funds are designated for the Commission for Early Care & Education Recovery, aimed at bolstering COVID-19 response efforts and fostering economic recovery in Riverside County. As of June 30, 2024, the Commission has incurred a total of $13,289,316 in eligible expenditures under the ARPA program, distributed as follows: $5,781,770 in FY 2022, $7,255,855 in FY 2023, and $251,691 in FY 2024. During the year ending June 30, 2024, the Commission transferred $2,000,000 of ARPA funds to the County of Riverside for two childcare centers. Of this amount, $1 million was allocated to the Office of Economic Development for the Design-Build contract for the French Valley Childcare Center, and another $1 million was designated for the Housing and Workforce Solutions department to support the Desert Rose Childcare Infrastructure Project. Under the ARPA program, funds must be obligated by December 31, 2024, and expended by December 31, 2026. As of June 30, 2024, approximately $8 million in ARPA funds remains unspent, including accrued interest.

Note 8 - Related Party Transactions

The required composition of the Board of Commissioners is consistent with the Children and Families Act of 1998 and Riverside County Ordinance 784. Some of the programs funded by First 5 Riverside are operated by organizations associated with the Commissioners. Commissioners must abstain from discussion and voting on issues directly related to their respective organizations. The Commission also utilizes the County Counsel for its legal services.

The following is a summary of expenditures and payables at June 30, 2024 for each related party:

Organization	Expenditure Amount
Department of Public Health Riverside County	$ 174,923
Jurupa Unified School District	857,231
Riverside County Office of Education	3,637,986
County Counsel	29,341
Total	$ 4,699,481

The expenditure amounts are included in Professional and Specialized Services.

During the year ended June 30, 2024, the Commission transferred to the County of Riverside $2,000,000 of ARPA funds to the Office of Economic Development for the Design-Build Contract for the French Valley Childcare Infrastructure Project.

Note 9 - Program Evaluation

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

For the year ended June 30, 2024, the Commission expended $632,725 on program evaluation.

Note 10 - Retirement Plan

A. General Information about the Pension Plan

Plan Descriptions – The County contracts with CalPERS to provide retirement benefits to its employees. CalPERS is a common investment and administrative agent for participating public entities with the State of California. All qualified permanent and probationary employees are eligible to participate in the County's Miscellaneous (all other) Employee Pension Plans, an agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information may be obtained from: California Public Employee's Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, California 94229-2701 or can be found on the CalPERS website at: http://www.calpers.ca.gov.

The employees of the Commission are employees of the County. The Commission reimburses the County for all pension plan costs and participates in the County's agent employer plan. For financial reporting purposes, the Commission reports a proportionate share of the County's collective net pension liability, pension expense, and deferred outflows and inflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost-sharing participant. For additional details of the County's pension plan, refer to the County of Riverside Annual Comprehensive Financial Report.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	Tier III
Hire Date	Prior to 8/23/2012	8/23/2012 through 12/31/2012	On or after 1/1/2013
Formula	3% at 60	2% @ 60	2% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Final Compensation	12 months	36 months	36 months
PEPRA Compensation Limit	N/A	N/A	$ 117,020
Benefit Payments	monthly for life	monthly for life	monthly for life
Earliest Retirement Age	50	50	52
Required Employee Contribution Rates	8.0%	7.0%	7.25%
Required Employer Contribution Rates	23.05%	23.05%	23.05%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers must be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis.

Active plan members in CalPERS are required to contribute up to 8% (Miscellaneous employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statue. The Commission's contributions to the County plan were $1,334,938 for the year ended June 30, 2024.

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

As of June 30, 2024, the Commission reported a net pension liability for its proportionate share of the County's miscellaneous plan net pension liability of $7,333,106.

The Commission's net pension liability was measured as the proportionate share of the County's net pension liability based on its actual 2024 contributions in relation to all County contributions to the Plan.

The net pension liability of the Plan was measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The Commission's proportionate share of the County's miscellaneous pension plan's net pension liability, measured as of June 30, 2022, and 2023 was 0.285902% and 0.292782%, respectively.

For the year ended June 30, 2024, the Commission recognized pension expense is $1,543,927. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	$ 69,101	$ (246,491)
Changes In Assumptions	580,130	-
Net Differences Between Projected and Actual Earnings On Plan investments	1,059,796	-
Changes In Proportion and Difference Between Commission's Contributions and Proportionate Share of Contributions	464,919	(363,933)
Contributions Subsequent To The Measurement Date	1,334,938	-
Total	$ 3,508,884	$ (610,424)

The amount of $1,334,938 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2025	$ 502,835
2026	217,351
2027	808,312
2028	35,024
	$ 1,563,522

Actuarial Assumptions – The Commission's proportion of the County's total pension liabilities in the June 30, 2022, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table (1)	Derived using CalPERS' Membership Data for all Funds
Post retirement benefit increase	Lesser of Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the County's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return[1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% used for this period
(2) Figures are based on the 2021 Asset Liability Management study

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the Commission, calculated using the discount rate for the Plan, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-Percentage point higher than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Commission's Proportionate Share of the Net Pension Liability	$ 11,787,755	$ 7,333,106	$ 3,686,076

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and the County Annual Comprehensive Financial Report (ACFR). The County's financial statements may be found on the Auditor-Controller's Website: http://www.auditorcontroller.org/.

Note 11 - Risk Management

The Commission is part of the County of Riverside's insurance programs including coverage for general liability and auto liability. The County's insurance program for general and auto liability is a combination of self-insurance and excess insurance providing limits of liability of $25,000,000 per occurrence.

The employees at the Commission are considered to be employees of the County of Riverside and are covered by the County's workers' compensation program. The County's workers' compensation program is a combination of self- insurance and excess insurance providing statutory limits of coverage as required by the State of California.

For the past three years, settlements or judgment amounts have not exceeded insurance provided for Commission.

Note 12 - Contingencies

The Commission participates in state and federal programs, the principal of which are subject to program compliance. The amount of expenditures which may be disallowed, if any, by the granting agencies (First 5 California or State of California or federal awarding agencies) are anticipated to be immaterial.

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management’s opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on financial position or changes in financial position of the Commission.

Required Supplementary Information
June 30, 2024

First 5 Riverside County Children and Families Commission

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First 5 Riverside County Children and Families Commission

Schedule of the Commission's Proportionate Share of the Net Pension Liability (Miscellaneous Plan)

Last Ten Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.292782%	0.285902%	0.322377%	0.303069%	0.214360%	0.243538%	0.240294%	0.181543%	0.157307%	0.141167%
Commission's proportionate share of the net pension liability	$ 7,333,106	$ 6,901,560	$ 3,253,591	$ 6,463,224	$5,065,275	$ 5,301,689	$ 5,231,069	$ 2,987,791	$ 1,777,256	$ 1,340,526
Covered payroll	$ 3,327,557	$ 3,734,131	$ 3,481,611	$ 2,638,451	$ 2,660,118	$ 2,581,044	$ 1,944,230	$ 1,590,991	$ 1,339,400	$ 1,341,771
Commission's proportionate share of the net pension liability as a percentage of covered payroll	220.38%	184.82%	93.45%	244.96%	190.42%	205.41%	269.06%	187.79%	132.69%	99.91%
Plan fiduciary net position as a percentage of the total pension liability	76.24%	75.92%	89.13%	76.03%	72.08%	72.12%	71.03%	74.51%	80.89%	83.16%
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Required Commission contributions	$ 1,334,938	$ 924,394	$ 948,918	$ 866,994	$ 523,854	$ 505,552	$ 438,501	$ 325,821	$ 252,313	$ 195,972
Contributions in relation to the actuarially determined contribution	1,334,938	924,394	948,918	866,994	523,854	505,552	438,501	325,821	252,313	195,972
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,327,557	$ 3,327,557	$ 3,734,131	$ 3,481,611	$ 2,638,451	$ 2,660,118	$ 2,581,044	$ 1,944,230	$ 1,590,991	$ 1,339,400
Contributions as a percentage of covered payroll	40.12%	27.78%	25.41%	24.90%	19.85%	19.00%	16.99%	16.76%	15.86%	14.63%

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Tobacco taxes	$ 16,574,768	$ 16,574,768	$ 16,256,575	$ (318,193)
IMPACT	-	3,966,793	3,808,592	(158,201)
Other programs	7,792,507	8,067,007	5,273,496	(2,793,511)
Investment income	350,000	350,000	1,762,793	1,412,793
Total revenues	24,717,275	28,958,568	27,101,456	(1,857,112)
Expenditures				
Current				
Salaries and benefits	8,285,045	8,285,045	6,931,295	1,353,750
Professional and specialized services	19,600,000	19,600,000	17,454,599	2,145,401
Services and supplies	3,508,344	3,558,344	1,772,081	1,786,263
Total expenditures	31,393,389	31,443,389	26,157,975	5,285,414
Other Financing Sources (Uses)				
Contributions from County	-	310,000	98,480	211,520
Net Changes in Fund Balance	$ (6,676,114)	$ (2,174,821)	$ 1,041,961	$ 3,216,782
Fund Balance, Beginning of Year			33,559,372	
Fund Balance, Ending			$ 34,601,333	

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Other programs	$ 10,000,000	$ 10,000,000	$ 250,492	$ (9,749,508)
Investment income	-	-	339,981	339,981
Total revenues	10,000,000	10,000,000	590,473	(9,409,527)
Expenditures				
Current				
Professional and specialized services	10,000,000	10,000,000	251,691	9,748,309
Net Changes in Fund Balance	$ -	$ -	338,782	$ 338,782
Fund Balance (Deficit), Beginning of Year			(27,382)	
Fund Balance, Ending			$ 311,400	

Note to Required Supplementary Information

Budget and Budgetary Process

The annual budget is adopted on a basis consistent with Generally Accepted Accounting Principles for the general fund and ARPA fund. The appropriated budget is prepared utilizing fund and department categories. Transfer of appropriations between categories must be approved by the Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

The Commission adopts an annual budget, which can be amended by the Commission throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures.

Other Supplementary Information
June 30, 2024

First 5 Riverside County Children and Families Commission

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Program	Source	Revenue	Expenses
IMPACT	F5CA Program Funds	$ 3,808,592	$ 3,808,592

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Compliance Section

June 30, 2024

First 5 Riverside County Children and Families Commission

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
First 5 Riverside County Children and Families Commission
Riverside, 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 the First 5 Riverside County Children and Families Commission (Commission), a component unit of the County of Riverside, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 16, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a significant deficiency.

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*.

Commission's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
October 16, 2024

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

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

Report on Compliance

Opinion

We have audited the First 5 Riverside County Children and Families Commission's (Commission), a component unit of the County of Riverside, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2024.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, 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.

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Internal Control over Compliance

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

Eide Bailly LLP

Rancho Cucamonga, California
October 16, 2024

2024-001 **Unauthorized and Unsupported Rent Expenditure**
Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria:

Management is responsible for ensuring all procurement related transactions comply with the Commission's Contracting and Procurement Policy. Management is responsible for ensuring all transactions are authorized and supported.

Condition:

During our audit, we noted that a journal entry was posted to the Commission's general ledger by another County department without the Commission's review and/or approval. As such, the Commission did not comply with its procurement policy requiring approval from the Commission for expenditures greater than $50,000. An adjustment in the amount of $90,588 was needed to properly reflect the expenditure balance at June 30, 2024.

Cause:

During our testing of the Commission's lease expenses, we noted the Commission amended one of its lease agreements to include use of space at an additional site in Jurupa Valley. The agreement is between the Commission and another County of Riverside department. However, the amended lease agreement was not signed nor placed into effect during the fiscal year as it is pending finalization from the other department and approval from County Counsel. The amendment also did not receive Commission approval as required per the Commission's procurement policy as the total agreement exceeds $50,000. Additionally, the County department acting as the lessor made a journal entry to the Commission's general ledger to transfer the amount for the fiscal year's rent expense from the Commission. The rent expenditure recorded does not agree to the lease schedule in the drafted amendment and has no other supporting documentation. Additionally, the Commission did not approve this entry. As a result, the Commission overstated its rent expenditures resulting in an adjustment of $90,588.

Effect:

An unapproved and unsupported transaction was recorded in the Commission's general ledger overstating the rent expenditure balance. An adjustment was necessary to correct the balance.

Recommendation:

We recommend that the Commission review all procurement related transactions to ensure they are in accordance with the Commission's Contracting and Procurement Policy. Additionally, we recommend that the Commission review all inter-County transactions ensuring proper supporting documentation is present and the transaction agrees with the Commission's records.

Views of Responsible Officials and Planned Corrective Action:

Inter-departmental Journal Entry

The rent expenditure recorded through the other County of Riverside billing department's journal entry does not agree with the Operating Cost Breakdown in the drafted amended MOU. However, the supporting documentation included in the journal entry does support the expenditure with a noted percentage for space allocation that was incorrect. The overstated rent expenditure ($90,588) was corrected in fiscal year 23/24 due to the incorrect amount and the amended MOU not being fully executed.

As a best practice, the fiscal team currently reviews expenditures monthly to ensure the properness of journal entry expenditures. For this expense, the other County of Riverside department's billing department submitted an entire year of space allocation costs with supporting documentation as part of the year-end journal entry process. The fiscal unit recognized the expense and corrected the project information on August 15, 2024, with the knowledge that the inter-department MOU for this expense was drafted, making its way through the billing department's approval process. The delay in finalizing the inter-department MOU due to changes in space allocation and legal reviews resulted in the amended MOU not being approved and fully executed at the July Commission meeting. Original cost estimates for the Jurupa Valley site were projected at less than $50,000. These costs increased with the final space allocations and were calculated retroactively. The other County department processed the journal entry without an executed agreement.

As First 5 Riverside County continues to engage in partnerships with County departments, there is an opportunity to work with the Auditor Controller's Office (ACO) to request an exception to the practice of inter-county department journal entries. The current standard with the ACO (Policy #501) is that the billing department has full control of journal entries so long as the billing department approves. The receiving department does not sign off or approve journal entries. An exception through Policy #702, if granted by ACO, would require the billing department to request approval from the receiving department before processing and submitting the journal entry in PeopleSoft for the ACO approval. First 5 Riverside County will engage with the ACO to explore the exception request and determine if this course of action will prevent year-end journal entries from posting to allow sufficient time to research and reverse the charge if erroneous. The charge in question was based on information that the billing department approved without the receiving department's review and approval.

Authorization for Space Allocation MOU – Family Resource Centers

Funding to support the Family Resource Centers (FRC) is through an MOU with the Department of Social Services (DPSS-0001997) for the operation of FRCs under First 5's management. The Commission authorized the Executive Director, based upon the availability of funding and as approved by County Counsel to sign amendments that exercise the options of the executed MOU, including modifications of the statement of work that stay within the intent of the MOU (AI 20-22, 5/13/20).

Subsequent amendments to the MOU (DPSS-0001997) streamlined the need for additional amendments based on the needs of the community (at the discretion of First 5 Riverside County, expansion and/or reduction of physical sites is allowable under the MOU). With the delegation of the operational management of the FRCs to First 5 Riverside County, sites have adjusted to meet community needs. Since 2020, one site was decommissioned in Rubidoux, two Perris sites/locations were consolidated, with physical moves of both the Desert Hot Springs and Mecca sites. Current needs dictated through pilot testing the desire for FRCs at both the Jurupa Valley and Temecula shared space with another County department.

The overall intent of the DPSS MOU for First 5 operations of the Family Resource Center remains intact, including the funding source through MOU DPSS-0001997, which allows through Commission approval the Executive Director to enter into MOUs with County departments to support the expansion and/or reduction of the Family Resource Centers. Additional oversight is afforded to the involved departments through County Ordinance No. 459 which requires Board approval for a rental or lease agreement for longer than one year. The properties shared through the MOU are County facilities.

Furthermore, on May 25, 2021 (Item: 3.20, ID #15530), the Board of Supervisors adopted Resolution 2021-109, establishing delegations of authorities for the Executive Director or Designee of the Riverside County Children and Families Commission. The Board delegated authority to the Executive Director, or designee, of the First 5 Commission to execute and enter into any agreements, contracts, and memorandums of understanding with other third parties and other county departments subject to approval as to form by County Counsel and where no County general funds are committed or involved in any such agreements.

Based upon the Commission authority through action item 20-22 and Board of Supervisors Resolution 2021-109, the Executive Director had authority to approve MOU No. 23-069 and subsequent amendments to support the operation and management of the Family Resource Center including reimbursement of operating costs.

None noted.