

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION

AUDIT REPORT
JUNE 30, 2024



HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION

EUREKA, CALIFORNIA

JUNE 30, 2024

COMMISSION MEMBERSHIP

NAME	POSITION	TERM EXPIRES
Lorey Keele (Co-Chair)	Community Services Director, Redwood Community Action Agency	January 2026
Connie Sundberg (Co-Chair)	Division Director, Changing Tides Family Services	December 2025
Natalie Arroyo	Humboldt Board of Supervisors	December 2024
Megan Blanchard	Public Health Nursing Director, Public Health Branch, Dept. of Health and Human Services	December 2024
Brian Davis	Community Member	January 2026
Wendy Hill	Child Development Center, College of the Redwoods	January 2026
Hyun-Kyung You	Child Development Department, Humboldt State University	January 2026
Michelle Stephens	Assistant Director, HHS Administration	February 2027

Executive Director

Mary Ann Hansen

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Board of Commissioners
Humboldt County Children and Families Commission
Eureka, California

Report on the Audit of the Financial Statements***Opinions***

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet certain 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of the commission contributions for pensions, 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 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 organizational table and summary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information (continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024 on our consideration of 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 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 Commission's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
October 15, 2024

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

INTRODUCTION

Our discussion and analysis of Humboldt County Children and Families Commission’s (the Commission) financial performance provides an overview of the Commission’s financial activities for the fiscal year ended June 30, 2024. It should be read in conjunction with the Commission’s financial statements, which follow this section.

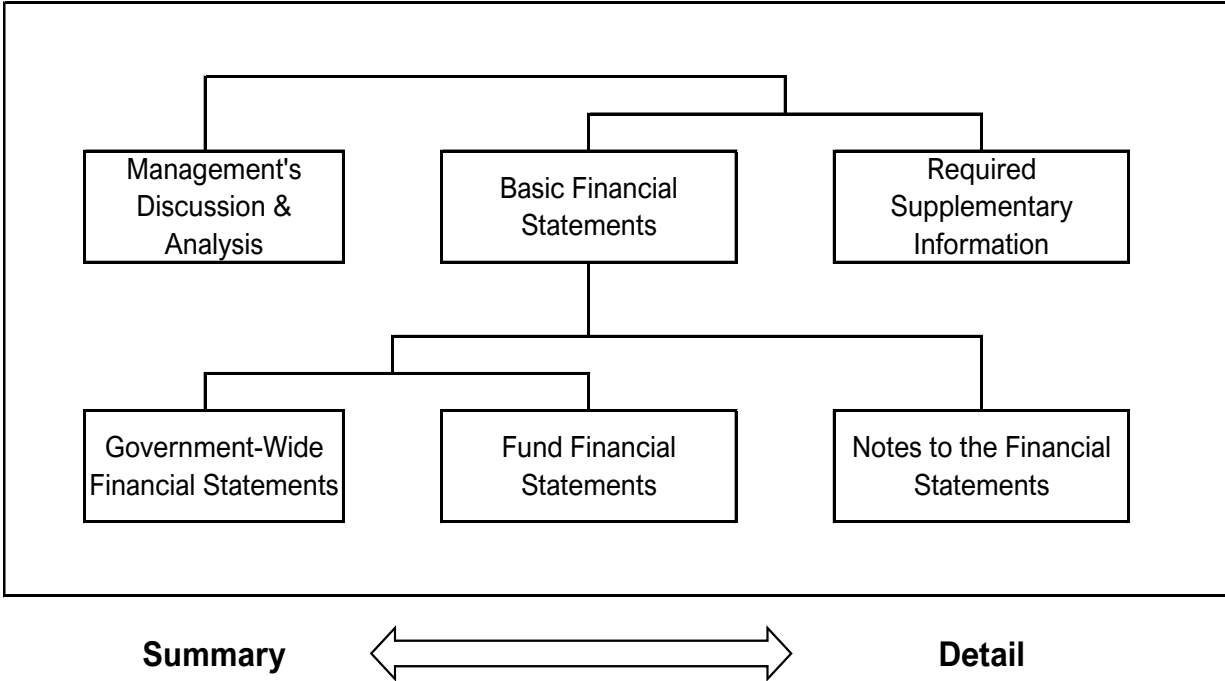
FINANCIAL HIGHLIGHTS

- The Commission’s total net position was \$3,717,189 at June 30, 2024. This was an increase of \$57,338 from the prior year, after restatement.

- Overall program and general revenues were \$2,131,499 which was more than expenses of \$2,074,161.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the Commission. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of Commission operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission’s programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Commission’s net position and how it has changed. Net position is one way to measure the Commission’s financial health. Over time, increases or decreases in the Commission’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Commission include governmental activities. All of the Commission’s basic services are included here, such as program services, evaluation expenses, and administrative expenses. State Children and Families Commission Proposition 10 funding finance most of these activities.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The Commission's net position was \$3,717,189 at June 30, 2024, as reflected in the table below. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Commission's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2024	2023	Net Change
ASSETS			
Current and other assets	\$ 5,388,519	\$ 4,839,732	\$ 548,787
Total Assets	5,388,519	4,839,732	548,787
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	641,478	568,961	72,517
Total Deferred Outflows of Resources	641,478	568,961	72,517
LIABILITIES			
Current liabilities	300,788	247,709	(53,079)
Long-term liabilities	1,734,241	1,443,666	(290,575)
Total Liabilities	2,035,029	1,691,375	(343,654)
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	277,779	454,473	(176,694)
Total Deferred Inflows of Resources	277,779	454,473	(176,694)
NET POSITION			
Restricted	3,717,189	3,262,845	454,344
Total Net Position	\$ 3,717,189	\$ 3,262,845	\$ 454,344

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year’s operations for the Commission as a whole are reported in the Statement of Activities. The table below takes the information from the Statement of Activities and rearranges it, so you can see our total revenues and expenses, for the year.

	Governmental Activities		
	2024	2023	Net Change
REVENUES			
Program revenues			
Operating grants and contributions	\$ 1,996,021	\$ 2,243,496	\$ (247,475)
General revenues			
Other	135,478	50,532	84,946
Total Revenues	2,131,499	2,294,028	(162,529)
EXPENSES			
Program services	1,639,425	1,854,854	(215,429)
Implementation expenses			
Administrative expenses	434,736	999,110	(564,374)
Total Expenses	2,074,161	2,853,964	(779,803)
Change in net position	57,338	(559,936)	617,274
Net Position - Beginning, as restated	3,659,851	3,822,781	(162,930)
Net Position - Ending	\$ 3,717,189	\$ 3,262,845	\$ 454,344

The total expenses this year were \$2,074,161 (refer to the table above).

FINANCIAL ANALYSIS OF THE COMMISSION’S MAJOR FUNDS

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed this year, its governmental funds reported a combined fund balance of \$5,087,731, which is more than this year’s restated beginning fund balance of \$4,989,029. The Commission’s General Fund had \$98,702 more in operating revenues than expenditures for the year ended June 30, 2024.

CURRENT YEAR BUDGET 2023-2024

During the fiscal year, budget revisions and appropriation transfers are presented to the Commission for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023-2024 the Commission did not have capital assets over the capitalization threshold of \$5,000.

Long-Term Liabilities

At year-end, the Commission had \$1,734,241 in long-term liabilities, an increase of \$290,575 from last year – as shown in the table below. (More detailed information about the Commission’s long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2024	2023	Net Change
LONG-TERM LIABILITIES			
Compensated absences	\$ 28,115	\$ 33,475	\$ (5,360)
Net pension liability	1,706,126	1,410,191	295,935
Total Long-term Liabilities	\$ 1,734,241	\$ 1,443,666	\$ 290,575

CONTACTING THE COMMISSION’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Commission’s finances and to show the Commission’s accountability for the money it receives. If you have questions about this report or need any additional financial information, contact First 5 Humboldt, 325 Second Street, Suite 201, Eureka, CA 95501.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,641,152
Accounts receivable	747,367
Total Assets	5,388,519
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	641,478
Total Deferred Outflows of Resources	641,478
LIABILITIES	
Accrued liabilities	300,788
Long-term liabilities, non-current portion	1,734,241
Total Liabilities	2,035,029
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	277,779
Total Deferred Inflows of Resources	277,779
NET POSITION	
Restricted	
Local initiatives and program sustainability	3,270,509
First 5 CA	287,328
Children and Youth Behavioral Health Initiative	159,352
Total Net Position	\$ 3,717,189

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

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	Governmental Activities
Program Revenues	
State Children and Families Commission - Prop 10	\$ 745,279
State Children and Families Commission - Other	1,016,873
Other local revenues	233,869
Total Program Revenues	<u>1,996,021</u>
Program Expenses	
Program services	1,639,425
Implementation expenses	
Administrative expenses	434,736
Total Program Expenses	<u>2,074,161</u>
Net Program Revenue (Expenses)	(78,140)
General Revenues	
Interest income	135,478
Total General Revenues	<u>135,478</u>
CHANGE IN NET POSITION	57,338
Net Position - Beginning, as restated	<u>3,659,851</u>
Net Position - Ending	<u>\$ 3,717,189</u>

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

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,641,152
Accounts receivable	747,367
Total Assets	<u>\$ 5,388,519</u>
LIABILITIES	
Accrued liabilities	\$ 300,788
Total Liabilities	<u>300,788</u>
FUND BALANCE	
Committed	
Sustainability fund	3,470,766
Programs and program services	1,616,965
Total Fund Balances	<u>5,087,731</u>
Total Liabilities and Fund Balance	<u>\$ 5,388,519</u>

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

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2024**

Total Fund Balance - Governmental Funds \$ 5,087,731

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	\$ 28,115	
Net pension liability	1,706,126	(1,734,241)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 641,478	
Deferred inflows of resources related to pensions	(277,779)	363,699

Total Net Position - Governmental Activities \$ 3,717,189

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>General Fund</u>
REVENUES	
State Children and Families Commission - Prop 10	\$ 745,279
State Children and Families Commission - Other	1,016,873
Other local revenues	233,869
Interest	135,478
Total Revenues	<u>2,131,499</u>
EXPENDITURES	
Program expenditures	
Program services	1,598,061
Implementation expenditures	
Administrative expenditures	
Salaries and employee benefits	287,562
Professional services	26,630
Special department expense	6,037
Transportation and travel	9,433
Office supplies and expense	32,546
Insurance	6,004
Rent	33,773
County of Humboldt overhead charges	32,751
Total Expenditures	<u>2,032,797</u>
NET CHANGE IN FUND BALANCE	98,702
Fund Balance - Beginning, as Restated	<u>4,989,029</u>
Fund Balance - Ending	<u>\$ 5,087,731</u>

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

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Governmental Funds \$ 98,702

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 5,360

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (46,724)

Change in Net Position of Governmental Activities \$ 57,338

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Humboldt County Children and Families Commission (Commission), was established as a public agency by the County of Humboldt Ordinance 2185 on December 15, 1998 in accordance with California Health and Safety Code Section 130140, as a result of the California Children and Families First Act of 1998. This act was passed by Proposition 10 and requires a 50-cent increase of the tax on cigarettes, of which 80% of the monies would be distributed to County Commissions. The revenues from this tax are earmarked to meet early childhood development needs of children ages prenatal to age five. Additional information regarding the Humboldt County Children and Families Commission is located on <http://www.humkids.org>.

B. Component Units

Component units are legally separate organizations for which the Commission is financially accountable. Component units may also include organizations that are fiscally dependent on the Commission in that the Commission approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the Commission is not financially accountable but the nature and significance of the organization's relationship with the Commission is such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Commission has no such component units. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the Commission). These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

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

Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include Proposition 10 taxes and grants. Revenues from Proposition 10 taxes are recognized when all eligibility requirements are met which coincides with the State apportions Proposition 10 tax revenues to the Commission. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

General Fund: The General Fund is the main operating fund of the Commission. It accounts for all financial resources of the general government. The Commission operates sub-funds within the general fund. These funds include: Proposition 10-Children and Families Fund (General Fund) and HCCFC Sustainability Fund. The activity within the General Fund sub-funds is rolled into the General Fund for financial statement purposes, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted net position is available, restricted resources are used only after the unrestricted resources are depleted.

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The Commission's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Accounts Receivable

These amounts represent receivables from other local governments. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the Commission. The Commission's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plan (the Plan) of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the Commission will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Commission will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Commission Membership or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Commission Membership. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The Commission applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

Formal budgetary integration is employed as a management control device during the year. The budget is adopted on a basis consistent with generally accepted governmental accounting principles.

I. New Accounting Pronouncements

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting 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 statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The Commission has fully implemented this Statement as of June 30, 2024.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The Commission has implemented this Statement as of June 30, 2024.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New Accounting Pronouncements (continued)

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

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The Commission has not yet determined the impact on the financial statements.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The Commission has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

The Commission’s cash and cash equivalent balance at June 30, 2024 consisted of the following:

	Governmental Activities
Cash in county treasury	\$ 572,386
Cash in bank	657,283
Local Agency Investment Fund	3,411,483
Total cash and investments	\$ 4,641,152

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices

The Commission maintains cash and investments with the Humboldt County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements.

The County maintains written investment policies that address a wide variety of investment practices, including primary investment objectives, investment authority, allowable investment vehicles, investment maturity terms, eligible financial institutions, capital preservation, and cash flow management.

All cash deposits at the County conform to the California Government Code Section 53646 and are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral.

Investment in County Treasury – The Humboldt County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the Commission's investment in the pool is based upon the Commission's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Local Agency Investment Fund (LAIF) – The Commission is considered to be a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Commission's investment in the pool is reported in the accompanying financial statement at amounts based upon the Commission's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the LAIF, which is recorded on the amortized cost basis.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Commission funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission manages its exposure to interest rate risk by investing in the County Treasury. The Commission maintains a pooled investment with the County Treasury with a fair value of approximately \$560,809 and an amortized book value of \$572,386. The average weighted maturity for this pool is 774 days. Additionally, the Commission maintains a pooled investment with the Local Agency Investment Fund with an amortized book value of \$3,411,483 which approximates the fair value.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury and Local Agency Investment Fund are not required to be rated. As of June 30, 2024, the pooled investments in the County Treasury and Local Agency Investment Fund were not rated.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2024, \$597,724 of the Commission's bank balance was exposed to custodial credit risk.

G. Fair Value

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Commission's own data. The Commission should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the Commission are not available to other market participants.

Uncategorized - Investments in the Humboldt County Treasury Investment Pool and Local Agency Investment Fund are not measured using the input levels above because the Commission's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The Commission's fair value measurements at June 30, 2024 were as follows:

	Uncategorized
Investment in county treasury	\$ 560,809
Local Agency Investment Fund	3,411,483
Total fair value of investments	\$ 3,972,292

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 consisted of the following:

	<u>General Fund</u>
State Children and Families Commission - Prop 10	\$ 377,925
State Children and Families Commission - Other	287,586
Local Government	81,856
Total	<u>\$ 747,367</u>

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2024 consisted of the following:

	<u>General Fund</u>
Payroll	\$ 26,312
Vendors payable	274,476
Total	<u>\$ 300,788</u>

NOTE 5 – LONG-TERM LIABILITIES

	<u>Balance</u>			<u>Balance</u>	<u>Balance Due</u>
	<u>July 01, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2024</u>	<u>In One Year</u>
Governmental Activities					
Compensated absences	\$ 33,475	\$ -	\$ 5,360	\$ 28,115	\$ -
Net pension liability	1,410,191	295,935	-	1,706,126	-
Total	<u>\$ 1,443,666</u>	<u>\$ 295,935</u>	<u>\$ 5,360</u>	<u>\$ 1,734,241</u>	<u>\$ -</u>

- Payments for compensated absences are liquidated in the General Fund.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2024 amounted to \$28,115. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The Commission's beginning net pension liability was \$1,410,191 and increased by \$295,935 during the year ended June 30, 2024. The ending net pension liability at June 30, 2024 was \$1,706,126. See Note 7 for additional information regarding the net pension liability.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 6 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2024:

	<u>General Fund</u>
Committed	
Sustainability funds	\$ 3,470,766
Programs and program services	<u>1,616,965</u>
Total committed	<u>5,087,731</u>
Total	<u>\$ 5,087,731</u>

The Commission is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

NOTE 7 – PENSION PLAN

Qualified employees are covered under a multiple-employer contributory retirement plan maintained by an agency of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS). The Commission reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for the plan as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
PERS Pension	\$ 1,706,126	\$ 641,478	\$ 277,779	\$ 251,355
Total	<u>\$ 1,706,126</u>	<u>\$ 641,478</u>	<u>\$ 277,779</u>	<u>\$ 251,355</u>

California Public Employees' Retirement System (CalPERS)

Plan Description

The Commission contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 7 – PENSION PLAN (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The Commission is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2024 was 32.30% of annual payroll. Contributions to the plan from the Commission were \$204,631 for the year ended June 30, 2024.

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

At June 30, 2024, the Commission reported a liability of \$1,706,126 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The Commission’s proportion of the net pension liability was based on a projection of the Commission’s long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2024, the Commission’s proportion was 0.606 percent, which increased 0.086 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the Commission recognized pension expense of \$251,355. At June 30, 2024, the Commission reported deferred inflows of resources related to pensions and reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 184,535	\$ -
Differences between expected and actual experience	43,409	20,507
Changes in assumptions	64,412	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	144,491	257,272
Commission contributions subsequent to the measurement date	204,631	-
Total	<u>\$ 641,478</u>	<u>\$ 277,779</u>

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 7 – PENSION PLAN (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$204,631 reported as deferred outflows of resources related to pensions resulting from Commission 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 148,670	\$ 162,515
2026	106,920	115,264
2027	176,375	-
2028	4,882	-
Total	\$ 436,847	\$ 277,779

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 7 – PENSION PLAN (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
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)%
	<u>100.0%</u>	

*An expected inflation of 2.50% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. 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 for the pool. The results of the crossover testing for the pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the Commission’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Commission's proportionate share of the net pension liability	\$ 2,433,492	\$ 1,706,126	\$ 1,102,237

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 8 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2024, the Commission paid the County of Humboldt, a related party, for services. These services included information services, overhead, administrative services, and central services totaling \$38,990.

NOTE 9 – PROGRAM EVALUATION

The Commission spent \$7,774 on program evaluation during the fiscal year ended June 30, 2024.

NOTE 10 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to loss or damage to property, general liability and workers' compensation. The Commission manages these risks of loss through the participation in the County of Humboldt's insurance program. There have been no significant reductions in insurance coverage from prior year. For each of the past 4 years, settlements did not exceed insurance coverage.

NOTE 11 – SECTION 30131.4 OF THE CALIFORNIA TAX AND REVENUE CODE CERTIFICATION

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax and Revenue Code has been met.

NOTE 12 – CONTINGENT LIABILITIES

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

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plan

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Commission recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the Entity-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 7. At June 30, 2024, total deferred outflows related to pensions was \$641,478 and total deferred inflows related to pensions was \$277,779.

HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 14 – RESTATEMENT OF FUND BALANCE/NET POSITION

The beginning fund balance of the General Fund and the beginning net position of Governmental Activities have been restated as the Commission transitions away from the County’s financial system, additionally, the General Fund and First 5 CA Fund beginning fund balances were restated to incorporate the beginning fund balance for the First 5 CA Fund, previously a stand-alone special revenue fund, into the General Fund. The effect on beginning fund balance and beginning net position are presented as follows:

	Governmental Activities	
Net Position - Beginning, as Previously Reported	\$	3,262,845
Restatement		397,006
Net Position - Beginning, as Restated	<u>\$</u>	<u>3,659,851</u>

	General Fund	First 5 CA Fund
Fund Balance - Beginning, as Previously Reported	\$ 4,280,814	\$ 311,209
Restatement	708,215	(311,209)
Fund Balance - Beginning, as Restated	<u>\$ 4,989,029</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Final to Actual
REVENUES				
State Children and Families Commission - Prop 10	\$ 862,787	\$ 851,623	\$ 745,279	\$ (106,344)
State Children and Families Commission - Other	1,195,871	1,343,350	1,016,873	(326,477)
Other local revenues	404,142	495,015	233,869	(261,146)
Interest	354	354	135,478	135,124
Total Revenues	2,463,154	2,690,342	2,131,499	(558,843)
EXPENDITURES				
Program expenditures				
Program services	1,920,768	1,962,358	1,598,061	364,297
Implementation expenditures				
Administrative expenditures				
Salaries and employee benefits	257,338	279,586	287,562	(7,976)
Professional services	14,700	28,200	26,630	1,570
Special department expense	2,000	2,000	6,037	(4,037)
Transportation and travel	20,000	15,000	9,433	5,567
Office supplies and expense	24,125	28,125	32,546	(4,421)
Insurance	12,851	16,193	6,004	10,189
Rent	37,600	36,250	33,773	2,477
County of Humboldt overhead charges	17,966	26,000	32,751	(6,751)
Total Expenditures	2,307,348	2,393,712	2,032,797	360,915
NET CHANGE IN FUND BALANCE	155,806	296,630	98,702	(197,928)
Fund Balance - Beginning, as Restated	1,492,823	1,492,823	4,989,029	3,496,206
Fund Balance - Ending	\$ 1,648,629	\$ 1,789,453	\$ 5,087,731	\$ 3,298,278

See accompanying notes to required supplementary information.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2024**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Commission's proportion of the net pension liability	0.606%	0.520%	0.311%	0.337%	0.212%	0.187%	0.149%	0.228%	0.219%	0.194%
Commission's proportionate share of the net pension liability	\$ 1,706,126	\$ 1,410,191	\$ 790,339	\$ 858,298	\$ 505,663	\$ 431,606	\$ 334,677	\$ 471,431	\$ 390,609	\$ 320,001
Commission's covered payroll	\$ 614,923	\$ 465,198	\$ 340,160	\$ 260,703	\$ 212,084	\$ 172,479	\$ 140,710	\$ 171,636	\$ 179,678	\$ 151,081
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	277.5%	303.1%	232.3%	329.2%	238.4%	250.2%	237.8%	274.7%	217.4%	211.8%
Plan fiduciary net position as a percentage of the total pension liability	70.5%	69.8%	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF COMMISSION CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 204,631	\$ 197,911	\$ 154,323	\$ 89,175	\$ 87,721	\$ 48,403	\$ 39,595	\$ 29,105	\$ 44,036	\$ 40,479
Contributions in relation to the contractually required contribution*	(204,631)	(197,911)	(154,323)	(89,175)	(87,721)	(48,403)	(39,595)	(29,105)	(44,036)	(40,479)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered payroll	\$ 671,770	\$ 614,923	\$ 465,198	\$ 340,160	\$ 260,703	\$ 212,084	\$ 172,479	\$ 140,710	\$ 171,636	\$ 179,678
Contributions as a percentage of covered payroll	30.46%	32.18%	33.17%	26.22%	33.65%	22.82%	22.96%	20.68%	25.66%	22.53%

*Amounts do not include on-behalf contributions

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the Commission’s budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of the Commission’s Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the Commission’s proportion (percentage) of the collective net pension liability, the Commission’s proportionate share (amount) of the collective net pension liability, the Commission’s covered-employee payroll, the Commission’s proportionate share (amount) of the collective net pension liability as a percentage of the employer’s covered-employee payroll, and the pension plan’s fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for CalPERS.

Changes in Assumptions

There were no changes in assumptions since the previous measurement for CalPERS.

Schedule of Commission Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the Commission’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the Commission’s covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the Commission’s covered-employee payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2024, the Commission incurred an excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule by major account code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
Implementation expenditures			
Administrative expenditures			
Salaries and employee benefits	\$ 279,586	\$ 287,562	\$ 7,976
Special department expense	\$ 2,000	\$ 6,037	\$ 4,037
Office supplies and expense	\$ 28,125	\$ 32,546	\$ 4,421
County of Humboldt overhead charges	\$ 26,000	\$ 32,751	\$ 6,751

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditor's Report

Board of Commissioners
Humboldt County Children and Families Commission
Eureka, 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 the major fund of Humboldt County Children and Families Commission, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Humboldt County Children and Families Commission's basic financial statements, and have issued our report thereon dated October 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humboldt County Children and Families 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 Humboldt County Children and Families Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Humboldt County Children and Families Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
October 15, 2024

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL
OVER COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

Board of Commissioners
Humboldt County Children and Families Commission
Eureka, California

Report on State Compliance***Opinion on State Compliance***

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

In our opinion, Humboldt County Children and Families Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2024.

Basis for Opinion on State Compliance

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 State Compliance section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit for State 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:

<u>DESCRIPTION</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict of Interest	3	Yes
County Ordinance	4	Yes
Long - Range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and 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.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program 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 with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by 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 State 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.

Christy White, Inc.

San Diego, California
October 15, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2023-24 State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

There were no financial statement findings or findings of non-compliance for the year ended June 30, 2024.

**HUMBOLDT COUNTY CHILDREN AND FAMILIES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

There were no findings or questioned costs for the year ended June 30, 2023.