

Memo

To: Commission Members
From: Alexander Khu
Date: Monday October 6, 2014
Re: October 6, 2014 Commission Meeting

Enclosed are the materials for the October 6, 2014 Commission meeting which will take place as follows:

Time: 6:00 pm

Location: 1485 Civic Court, Suite 1200, Concord, CA
925-771-7300

A light dinner will be provided.

Please let me know if you have any questions.

Kind Regards,

Alexander Khu, Executive Assistant
First 5 Contra Costa
CHILDREN AND FAMILIES COMMISSION
1485 Civic Court,
Suite 1200
Concord, CA 94520
925-771-7342 Direct
925-771-6083 Fax



Commission Meeting Agenda

Monday, October 6, 2014, 6:00 pm
1485 Civic Court, Suite 1200
Large Conference Room
Concord, CA

1.0 Call to Order and Roll Call

2.0 Public Comment

The public may comment on any item of public interest within the jurisdiction of the First 5 Contra Costa Children and Families Commission. In accordance with the Brown Act, if a member of the public addresses an item not on the posted agenda, no response, discussion, or action on the item may occur.

3.0 Approval of Consent Calendar

Action

A Commissioner or member of the public may ask that any of the following consent items be removed from the consent calendar for consideration under Item 4.

3.1 Approve the minutes from the September 8, 2014 meeting.

3.2 Accept the Executive Committee Report from the September 8, 2014 meeting.

4.0 Consider for discussion any items removed from the consent calendar.

5.0 Consider accepting the Fiscal Year 2013-2014 Financial Audit

Action

6.0 Presentation on Commission's current and future fiscal status

7.0 Consider approving an initial First 5 revenue allocation plan for the period FY 2015-16 to 2019-20.

Action

8.0 Executive Director's Report

Discussion

9.0 Communications

None received.

Discussion

10.0 Commissioner F.Y.I. Updates

Discussion

11.0 Adjourn

The First 5 Contra Costa Children and Families Commission will provide reasonable accommodations for persons with disabilities planning to participate in Commission meetings who contact the Commission's offices, at least 48 hours before the meeting, at (925) 771-7300.

Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the First 5 Contra Costa Children and Families Commission to a majority of members of the First 5 Contra Costa Children and Families Commission less than 96 hours prior to that meeting are available for public inspection at 1485 Civic Court, Suite 1200, Concord, CA 94520 during normal business hours.

In consideration of those who may suffer from chemical sensitivities or who may have allergic reactions to heavy scents, First 5 Contra Costa requests that staff and visitors refrain from wearing perfume, cologne, or the use of strongly scented products in the work place. We thank you for your consideration of others.



Monday October 6, 2014

Agenda Item 3.1

Approve the minutes from the September 8, 2014 meeting.



**COMMISSION MEETING
MINUTES**

Monday, September 8, 2014, 6:00 pm
1485 Civic Court, Suite 1200
Large Conference Room
Concord, CA

1.0 Call to Order and Roll Call

The meeting was called to order at 6:15 PM by Chairwoman PJ Shelton.

Commissioners in attendance were:

Chairwoman PJ Shelton, Secretary/Treasurer Maria Fort, Barbara Cappa, Gareth Ashley, John Jones, Supervisor Candace Andersen, Dr. William Walker, Katharine Mason for Kathy Gallagher, and Joan Miller for the Director of Children and Family Services.

Alternate Commissioners in attendance: Belinda Lucey

Also present was Deputy County Counsel Keiko Kobayashi.

Absent: Alternate Commissioners Wanda Session, Toni Robertson, Mister Phillips, Matt Regan and Supervisor Karen Mitchoff.

2.0 Public Comment

Carol Powers, John Muir Health Child Safety Program Coordinator thanked First 5 for its collaboration, particularly staff Lisa Morrell and Randee Blackstock, together with Welcome Home Baby and the all the First 5 Centers of Contra Costa County. They have been collaborating for the last 2 years on the Car Seat project and have distributed over a hundred seats throughout the county.

Tim O'Keefe, Executive Director, Shelter Inc. provided the Mountainview family shelter's fiscal year end results: 43 families, 37 with a child under 6; 116 individuals altogether, 70 of whom were children; 90% of the families were stably housed. In addition, 33 of the children had a developmental screen, of which 4 were referred for additional services. Six children were referred to mental health services, 11 completed preschool readiness assessments, 18 children participated in Early Learning Opportunity Curriculum and 15 families participated in Triple P workshops.

Tim also announced the Shelter Inc. Fundraiser "Hike for Shelter" to raise money and awareness to end homelessness in Contra Costa County on October 19, 2014. More information can be found on <http://shelterincofccc.org/events/hike/>

Angela Gattis, Care Parent Network, thanked the staff for donating books and toys for the recently concluded Congreso Familiar was attended by 370 children. She also referred the Commission to the CARE Facebook page, where parents are posting portraits of their children with Down Syndrome.

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3.0 Approval of Consent Calendar

Supervisor Andersen asked to remove item **3.2.2** from the consent calendar for consideration under item 4.

Supervisor Andersen made a motion to approve the remaining items on the consent calendar.

Gareth Ashley seconded the motion.

AYES: PJ Shelton, Maria Fort, Barbara Cappa, Gareth Ashley, John Jones, Candace Andersen, Dr. William Walker, Joan Miller for CFS, and Katharine Mason for Kathy Gallagher.

NOES: None

ABSTAIN: None

Motion was **APPROVED**.

4.0 Consider for discussion and approval any items removed from the consent calendar

Commissioner John Jones made a statement:

"I have an interest in Agenda item **3.2.2** because I am employed by Contra Costa Child Care Council that may impact the decision being made this evening. I am therefore recusing myself."

Commissioner Jones left the room.

A motion was made by Candace Andersen to approve item **3.2.2**.

Gareth Ashley seconded the motion.

AYES: PJ Shelton, Maria Fort, Barbara Cappa, Gareth Ashley, Candace Andersen, Dr. William Walker, Joan Miller for CFS, and Katharine Mason for Kathy Gallagher.

NOES: None

ABSTAIN: None

Motion was **APPROVED**.

Commissioner Jones then returned to the room.

5.0 Presentation and discussion of an updated schedule for development of the 2015-2020 strategic plan

Sean Casey presented a staff proposal with the following process and timeline for developing First 5 Contra Costa's next five-year Strategic Plan:

OCTOBER 2014: Review financial scenarios and approaches covering 2015 to 2020

DECEMBER 2014: Approve five-year financial plan

SPRING 2015: Commission Strategic Planning Retreat #1
The outcome for retreat will be to set objectives based on the five-year financial plan. Staff will review key outcomes of our funded programs,

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interviews and focus groups with key stakeholders, landscape and demographic changes in the last five years, the policy outlook for early childhood, and the lasting role of First 5 to develop objectives.

FALL 2015: Commission Strategic Planning Retreat #2
Commissioners will review a draft of the Strategic Plan.

6.0 Consider adoption of the First 5 Contra Costa Breastfeeding Policy

Cally Martin reported that the Healthy and Active Before 5 coalition – of which First 5 Contra Costa is a member -- encourages its member agencies to adopt model policies that support healthy living for children.

First 5 Contra Costa has always striven to provide a family-friendly workplace that meets the needs of working parents. Staff created a dedicated nursing room two years ago, in anticipation of several staff newborns. The nursing room is also available to office visitors who need to pump while in the office for business.

The breast feeding policy establishes existing staff practices and has been reviewed by staff who have nursed at First 5 over the last several years.

Maria Fort made a motion to Consider adoption of the First 5 Contra Costa Breastfeeding Policy.

Katharine Mason seconded the motion.

AYES: PJ Shelton, Maria Fort, Barbara Cappa, Gareth Ashley, John Jones, Candace Andersen, Dr. William Walker, Joan Miller for CFS, and Katharine Mason for Kathy Gallagher.

NOES: None

ABSTAIN: None

The motion was **APPROVED**.

7.0 Consider accepting the 2014 premium contribution rates for active employee health and dental benefits, and maintaining existing contribution rates for health and dental benefits for retirees, survivors and COBRA participants

Sean Casey reported that from its inception, the Commission had chosen to participate in the County's health benefits plan for First 5 employees. Each year the County negotiates the premiums with the health insurance providers and provides a rate sheet to First 5 listing the employer and employee contributions based on the negotiated rates. Since 2012, the Commission has adopted an 80%/20% employer/employee contribution split for active employees who work 20 hours or more per week. First 5 does not contribute to health or dental premiums for COBRA participants, permanent-intermittent employees who work less than 20 hours per week. Contributions for retirees and survivor's health, dental and vision costs are paid out of the First 5 CERBT trust; contributions remain at the 2011 levels capped by the Board of Supervisors.

Eight plans are available through four different carriers. Each carrier offers a Plan A and a higher-cost Plan B. Within each plan, rates are set for individual employee plans or family plans consisting of one

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or more family members in addition to the employee. The Board of Supervisors approved the 2015 premiums at its August 5, 2013 meeting. The premiums for the majority of the plans will increase in 2015, by range of 5.58% to 11.32%; premiums for two plans are decreasing by 1.46% and 5.69%.

Costs for the two dental plans and vision plan remain unchanged through December, 2015.

Dr. Walker made a motion to Consider accepting the item 7.0.
Barbara Cappa seconded the motion.

AYES: PJ Shelton, Maria Fort, Barbara Cappa, Gareth Ashley, John Jones, Candace Andersen, Dr. William Walker, Joan Miller for CFS, and Katharine Mason for Kathy Gallagher.

NOES: None

ABSTAIN: None

Motion was **APPROVED**.

8.0 Consider accepting the final financial report for fiscal year 2013-2014

Director of Finance and Operations Marnie Huddleston reported on the end-of-year fiscal report for 2013-14. Overall the Commission spent over \$2 million dollars less than budgeted. Of particular note were the savings of approximately \$130,000 in benefits cost due to the Commission retirement prepayment and OPEB pre-funding. Unspent Race to the Top and Long Foundation funds will roll over to the next fiscal year.

Supervisor Andersen made a motion to accept the final financial report for fiscal year 2013-2014.

John Jones seconded the motion.

AYES: PJ Shelton, Maria Fort, Barbara Cappa, Gareth Ashley, John Jones, Candace Andersen, Dr. William Walker, Joan Miller for CFS, and Katharine Mason for Kathy Gallagher.

NOES: None

ABSTAIN: None

Motion was **APPROVED**.

9.0 Consider approving the nomination of Dr. William Walker as Commission Vice-Chair for the remainder of calendar year 2014

Vice-Chair Valerie Earley left her position as Director of Children and Family Services in May of this year. In order to fill out the Executive Committee and increase the likelihood of a quorum, Dr. William Walker has agreed to step in as Vice-Chair through the end of 2014.

Maria Fort made a motion to approve the nomination of Dr. Walker as Commission vice-Chair for the remainder of calendar year 2014.

Barbara Cappa seconded.

AYES: PJ Shelton, Maria Fort, Barbara Cappa, Gareth Ashley, John Jones, Candace Andersen, Dr. William Walker, Joan Miller for CFS, and Katharine Mason for Kathy Gallagher.

NOES: None

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Monday September 8, 2014
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ABSTAIN: None
Motion was **APPROVED**.

10.0 Update on process of nomination of Commission officers for 2015.

The Executive Committee appointed Belinda Lucey as chair and Matt Regan and Wanda Session as members of the Nominations Committee. Belinda Lucey report on the process and timeline for nomination of the slate for 2015 officers. The Nomination Committee will meet toward the end of October in time to vote on the new Slate of officers by the December Commission Meeting.

11.0 Executive Director's Report

a) John Mills, the District Alternate since December, 2008, resigned from his seat over the summer. He recently took a position as Deputy County Executive in Santa Clara County and realized it left little time or flexibility to meet his First 5 obligation. We thank him for his many years of service, including three years on the Executive Committee, and wish him well.

b) Public Affairs Manager Tracy Irwin and Program Assistant Walter Aab recently completed this video of parents talking about the Positive Parenting Practices (Triple P) program.

<http://www.youtube.com/watch?v=WHonebak2NQ&list=UUTVsV0ZAj7PkKqWM7svYg>

Triple P is a highly effective program that provides constructive, easily learnable approaches for increasing parent competence and confidence. Just in the last year, in all of the First 5 Centers, 143 parents participated. Another 94 participated in other agencies including Shelter Inc., Early Childhood Mental Health Program, Care Parent Network, and the Greater Richmond Interfaith Program (GRIP).

Supervisor Andersen asked how can Pre-Schools and Libraries get involved in the Triple P Parenting Program? Wanda Davis, Early Intervention Program Officer replied that agencies could contact her (wdavis@firstfivecc.org) to get them started in Triple P.

c) Ensuring Opportunity Campaign: Many Commissioners attended the Ensuring Opportunity forum in May and were among the 200 who took in a lot of valuable information regarding poverty in Contra Costa. The Family Economic Security Partnership is one of several collaborative working on the campaign. The Ensuring Opportunity movement is gathering steam, with several leadership meetings over the summer to work on next steps, including securing funding for a campaign director. There is a newsletter on the table if you're interested in more information. The next campaign meeting will be Thursday October 16, 9:00 – noon, at the Pleasant Hill Community Center, Perera Pavillion (320 Civic Drive) All are welcome.

<http://events.r20.constantcontact.com/register/event;jsessionid=9113C8022E2CA4B274AE40B4FB3B41D1.worker?registrant?llr=gdhwoacab&oeidk=a07e9sh8yvbbaa33c71c>

d) CAC (Community Advisory Council) Members visited their local elected officials over the spring and fall. The Delta CAC visited Assemblyman Jim Frazier, the Bay Point and Antioch CACs visited Supervisor Federal Glover, and the West County CAC visited Supervisor John Gioia. Sup. Gioia's chief of staff Terrance Cheung will be attending the September CAC meeting when the CAC will be discussing their focus for the coming year.

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e) We welcome Francisca Hernandez to our staff. She is the second of two site quality coaches we have brought on to support the 100 early learning sites working on quality improvement plans as part of the QRIS program.

f) Many of our staff will be travelling to South Lake Tahoe at the end of the month for the First 5 Staff Summit, held on a quasi-annual basis by our state Association for county First 5 staff. It's a great opportunity for staff to learn what their colleagues are up to. There will be plenaries with Dr. Emily Putnam-Hornstein from USC on child abuse prevention, and Ralph Smith from the Annie E Casey Foundation on early literacy, as well numerous workshops and tracks for evaluation, program and fiscal, and small counties.

g) Sean expressed his thanks for the staff, and in particular Deputy Director Cally Martin who stepped in during his 6-week leave of absence over the summer.

12.0 Communications

None received.

13.0 Commissioner F.Y.I. Updates

Gareth Ashley announced that he was appointed as chair of the 2010 Measure C Citizens' Bond Oversight Committee over at the Mt. Diablo School District, and his duties there will not affect his Children & Families Commission responsibilities.

PJ Shelton reminded that there will be a Commission Meeting next month, on Monday October 6, 2014 at 6 PM at the First 5 Contra Costa Large Conference Room. The next meeting that follows that will be on Monday December 1, 2014 (last meeting of the calendar year).

14.0 Adjourn

Meeting was adjourned at 7:35 PM.



Monday October 6, 2014

Agenda Item 3.2

Accept the Executive Committee Report form the September 8, 2014 meeting.



Executive Committee MINUTES

September 8, 2014
4:00 p.m.
Small Conference Room,
1485 Civic Court, Suite 1200, Concord, CA

1.0 Call to Order

The meeting was called to order at 4:04 PM. Members present: Commissioners PJ Shelton, Maria Fort and Katharine Mason. Staff present were Sean Casey, Marnie Huddleston and Cally Martin

2.0 Public Comment

Valentina Loreta-Ashley introduced herself, she is a Masters in Nursing student interested in health policy.

3.0 Staff Updates

A total of 100 early learning programs – 61 in Cohort I and 39 in Cohort II – have now been enlisted in the Quality Rating and Improvement System (QRIS), including all sites in Head Start, Community Services Bureau, Mount Diablo USD, and West Contra Costa USD.

We have hired Kellee Davis and Francisca Hernandez as our new Quality Improvement Coaches. Francisca is responsible for providing coaching to Head Start programs, as well as Family Child Cares in East County. Kelli provides coaching to WCCUSD and FCC's in West. Our county coaching team also includes two staff members from the Child Care Council who provide coaching to private centers, and FCCs located in Central county. We have launched a professional learning community for the coaches to support their professional development and ensure the provision of high quality services.

Enrollment for the 2014-2015 CARES Plus program ended September 2. We have a total of 171 applicants, including 70 new and 101 returning.

Delta First 5 Center CAC (Community Advisory Council) members met with Assemblyman Jim Frazier in July to introduce themselves and discuss the results of their community needs assessment conducted last year. The Antioch CAC met with Federal Glover, and members from the West County CAC visited Supervisor John Gioia and his Chief of Staff Terrance Cheung. Terrance promised to attend the September CAC meeting when the CAC will be discussing their focus for the coming year.

The Delta First 5 Center had a face lift! As a part of our lease negotiation, the building owners have repaved the back parking lot, done major landscaping, power washed, and touched up the exterior paint. First 5, in partnership with the Center staff spent the month of July clearing out the Center for new carpet, paint and window coverings. In addition to the cosmetic improvements, one of the most exciting changes is the reconfiguration of the office space and classrooms. The site has a much more open and welcome feel for families as they come in either the front or back entrance. Staff members have designated space for their work and added visibility throughout the Center, improving the overall safety of the site.

Wanda Davis, Early Intervention Program Officer, attended the Statewide Collaborative Developmental Screening and Statewide Help Me Grow Summit and continues to weave together our Universal Developmental Screening effort with the launch of HMG. Our application to become an HMG Affiliate has been submitted.

*Executive Committee
Minutes
September 8, 2014*



CHILDREN AND FAMILIES COMMISSION

We have finalized contracts with most of our target cities to implement our low-cost sports class program for young children. We plan to launch classes this fiscal year with Richmond, San Pablo, Concord, Pleasant Hill, Bay Point, Antioch, and Oakley. We continue to serve more low-income children each year, with nearly 1,000 children served this past fiscal year. The fall classes are set to launch in October.

The Concord Parks Team (First 5 Contra Costa, the Central County Regional Group, Monument Impact, Contra Costa Health Services, and Healthy & Active Before 5) presented the data and findings from our Monument Parks Assessment project to Concord's Park, Recreation, and Open Space Commission on July 9th. The Commission was very impressed with our presentation and endorsed our recommendations. The team has been preparing for a presentation to the Concord City Council, scheduled for October 14th. In preparation we have met with 2 city council members and Concord's mayor in order to brief them on our project and to explore the best ways to work together for park improvements for young children. Ultimately, we hope to gain City Council's support to allocate capital improvement funds for our park recommendations.

The Family Economic Security Partnership is one of four coalitions coming together for *Ensuring Opportunity: The Campaign to Cut Poverty in Contra Costa County*. Fran Biderman has been working on documents describing the goals, objectives, structure, leadership and budget for this quickly developing movement.

4.0 Commission Updates

Sean reported that District 3 Alternate Commissioner John Mills resigned from the Commission for personal reasons in July. District 5 Alternate Commissioner Toni Robertson has informed Supervisor. The CFS Director seat is still vacant, pending the hiring of the new Director in that position. Sean oriented Joan Miller, the new CFS Alternate Commissioner, last week.

5.0 Statewide Updates

The First 5 Association held a strategy strategy retreat in June. Given the significant activity in the last legislative session the Association will start to focus more on policy and less local programs in the coming year.

With the many early learning components in the state budget, we are beginning to see the effects locally. Fifty new subsidized child care slots will be created; it appears that the reimbursement increase will have little effect locally due to the already higher levels in the Bay Area; and the Preschool Quality Block Grant applications are not expected to be released until the fall.

6.0 Items for Consideration

6.1 Review proposed strategic planning schedule

Sean outlined the schedule that will be presented to the Commission after this meeting. The revised schedule allows for more time for stakeholder input and to analyze potential state and federal funding.

6.2 Appoint the members of the nominations committee for 2015 officers

The Committee appointed Alternate Commissioners Belinda Lucey (chair), Matt Regan and Wanda Session to the nominations committee.

7.0 Review agenda items for upcoming Commission meetings

The Committee reviewed the agenda items for the October and December meetings.

8.0 Adjourn

The meeting adjourned at 5:25 PM

Executive Committee
Minutes
September 8, 2014



Monday October 6, 2014

Agenda Item 5.0

Consider accepting the Fiscal Year 2013-2014 Financial Audit



To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

We have audited the financial statements of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission (the Commission), a component unit of the County of Contra Costa, California, for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014.

We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements was:

Management's estimate of the liabilities owed to vendors and grantees for invoices not received are estimated based on historical expenditures and contract amounts. Management also estimates the amounts of the Pension and Other Post Employment Benefits assets and disclosures based on actuarial reports. We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, budgetary comparison information, and the schedule of funding progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenses by Fund Source and Net Position of CCFC Funds for First 5 Programs and Activities, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.



Sacramento, California
September 24, 2014

**FIRST 5 CONTRA COSTA
CHILDREN AND FAMILIES COMMISSION**
(a Component Unit of the County of Contra Costa, California)

Independent Auditors' Reports, Basic Financial Statements,
Required Supplementary Information,
Other Information and Compliance Section

For the Year Ended June 30, 2014

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission (the Commission), a component unit of the County of Contra Costa, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 general fund of the First 5 Contra Costa Children and Families Commission, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 8 and pages 31 through 33 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financials statements that collectively comprise the Commission's basic financial statements. The Schedule of Expenses by Fund Source and Net Position of CCFC Funds for First 5 Programs and Activities is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenses by Fund Source and Net Position of CCFC Funds for First 5 Programs and Activities 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenses by Fund Source and Net Position of CCFC Funds for First 5 Programs and Activities 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 September 24, 2014 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Sacramento, California

September 24, 2014

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2014**

This Management's Discussion and Analysis is intended to serve as a narrative overview of the financial activities of First 5 Contra Costa for the year ended June 30, 2014. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 9).

FISCAL 2014 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

The assets of the Commission exceeded its liabilities at the close of fiscal year 2013-2014 by \$36,295,182 (net position), a decrease of 8% from the previous year. Of this amount, \$743,225 was invested in capital assets and \$223,109 was restricted for the Thomas J. Long Foundation Grant. The remaining net position, \$35,328,848, was available to meet the Commission's ongoing obligations. The change in net position reflects the Commission's planned use of resources to keep program funding stable and in line with budget expectations.

After reviewing alternative ways to offset the growing unfunded accrued actuarial liability (UAAL), last year the Commission approved an agreement with Contra Costa County Employee Retirement Association (CCCERA) to pay \$2 million, to be amortized over 11 years, toward the Commission's UAAL. As a result of this payment and CCCERA's net investment return, the Commission received a discount on current year pension payments and ended the year with a prepaid pension asset of \$1,818,182. In addition, last year the Commission joined the California Employers Retirement Benefits Trust (CERBT), administered by CALPERS, for the purpose of funding the Commission's OPEB liability. This year the Commission had a net OPEB asset of \$111,297 at year end.

Total commission revenues for fiscal year 2013-2014, which included Contra Costa's Proposition 10 tobacco tax allocation, project-specific funding from First 5 California and the California Department of Education, grants, interest, and other income, were \$10,836,858, a decrease of \$668,543 from the prior year's amount of \$11,505,401. Total expenses for fiscal year 2014 were \$13,808,460, an increase of \$333,074 from prior year expenses of \$13,475,386.

The 2013-14 Proposition 10 tax revenue total of \$8,353,104 decreased 4% from the previous year's total of \$8,729,939 due to the decrease in tobacco tax revenue statewide.

OVERVIEW OF THE FINANCIAL STATEMENTS

First 5 Contra Costa financial report includes:

1. The basic financial statements, which include the *government-wide financial statements* and the *fund financial statements*.
2. Notes to the financial statements
3. Required supplementary information
4. Other information

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2014**

Government-Wide Financial Statements

The *government-wide financial statements* provide a broad overview of the Commission's activities as a whole, and are comprised of the *statement of net position* and the *statement of activities*. The *statement of net position* provides information about the financial position of the Commission on the full accrual basis, similar to that used in the private sector. It shows the Commission's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* provides information about the Commission's revenues and all its expenses, also on the full accrual basis, and explains in detail the change in net position for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the First 5 Contra Costa Commission's activities are accounted for in the general fund.

The *fund financial statements* report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements report the Commission's operations in more detail and focus primarily on the short-term activities of the Commission. The fund financial statements are prepared on the modified accrual basis and measure only current revenues, expenditures and fund balances; they exclude capital assets and long-term liabilities.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide, general fund financial statements and required supplementary information.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the First 5 Contra Costa's finances.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2014

The following is a summary of the Commission's Statement of Net Position comparing balances at June 30, 2014 and June 30, 2013.

	Governmental Activities		
	2014	2013	Change
<u>Assets:</u>			
Current and other assets	\$ 35,041,968	\$ 37,859,262	\$ (2,817,294)
Noncurrent assets	2,993,704	3,206,741	(213,037)
Total Assets	38,035,672	41,066,003	(3,030,331)
<u>Liabilities:</u>			
Current liabilities	1,602,772	1,684,890	(82,118)
Noncurrent liabilities	137,718	114,329	23,389
Total Liabilities	1,740,490	1,799,219	(58,729)
<u>Net Position:</u>			
Net investment in capital assets	743,225	772,672	(29,447)
Restricted	223,109	492,441	(269,332)
Unrestricted	35,328,848	38,001,671	(2,672,823)
Total Net Position	\$ 36,295,182	\$ 39,266,784	\$ (2,971,602)

The Commission's net position from governmental activities decreased from \$39,266,784 in 2013 to \$36,295,182 in 2014. This decrease in Net Position reflected in the Statement of Activities is primarily due to the budgeted use of net position to sustain consistent program funding.

The most significant portion of the Commission's current assets is its cash balances. Cash is maintained in the Contra Costa County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Current and other assets decreased \$2,817,294 from the prior year June 30 balance due to the planned usage of resources in accordance with the Commission's Strategic Plan. Another component of current assets is the due from other governments balance in the amount of \$1,783,538 at June 30, 2014. These receivables are due from the State for the May and June 2014 Proposition 10 tax revenues not remitted to the Commission prior to June 30th, and for First 5 CA Cares Plus grant expenditures.

Noncurrent assets decreased as a result of expensing a portion of the Commission's prior year prepayment towards its share of the Contra Costa County Retirement System's unfunded accrued actuarial liability. The Commission also paid its annual other post employment benefits (OPEB) obligation, decreasing its net OPEB asset.

Current liabilities for the year ending June 30, 2014 decreased \$82,118 from the prior year due to decreased 4th quarter contract payments. Current liabilities include accounts payable of \$69,643, 4th quarter contract payments of \$1,148,553 payable to service providers at June 30, 2014, and accrued wages and benefits of \$204,378. The California Department of Education proceeds received but not earned equaled \$164,896 and are included in current liabilities.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2014

The following is a summary of the Commission's revenues, expenses and change in net position comparing fiscal year 2013-2014 with fiscal year 2012-2013:

	Governmental Activities		
	2014	2013	Change
<u>Program Revenues:</u>			
Prop 10 Tax	\$ 8,353,104	\$ 8,729,939	\$ (376,835)
Prop 10 CARES Plus	263,569	288,360	(24,791)
Grant income	1,631,636	2,229,229	(597,593)
Total Program Revenues	10,248,309	11,247,528	(999,219)
<u>General Revenues:</u>			
Interest income	103,467	153,804	(50,337)
Other revenue	485,082	104,069	381,013
Total Revenues	10,836,858	11,505,401	(668,543)
<u>Expenses:</u>			
Child development	13,808,460	13,475,386	333,074
Change in net position	(2,971,602)	(1,969,985)	
Net position, beginning of year	39,266,784	41,236,769	
Net position, end of year	\$ 36,295,182	\$ 39,266,784	

The financial statements for fiscal year 2013-2014 show a decrease in net position of \$2,971,602. The change in net position reflects the Commission's use of resources to keep program funding stable.

Proposition 10 tax revenues decreased by \$376,835 compared to the 2012-2013 fiscal year. Grant income decreased \$597,593 primarily due to declining Thomas J. Long Foundation funding. These grant funds were in the fourth year of funding for Preschool Makes a Difference scholarships and end December 2015. Other revenue increased due to a refund of \$364,541 from Contra Costa Health Services for overpayment on a prior year contract related to the provision of local funding from the Commission for the County Medi-Cal program.

The Commission's overall expenses increased by \$333,074 (2%) in 2013-14 from the prior year. The Early Care and Education Initiative increased Race to the Top spending, while there were fewer preschool scholarships funded by the Thomas J. Long Foundation grant. The Early Intervention Initiative had increased expenses from the prior year due to contracts for developmental play groups and early mental health services for young children and their parents in substance abuse treatment settings. The Community and Information Initiative's Sugar Bites anti-obesity campaign increased funding to expand the second phase of the project.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2014**

Financial Analysis of the General Fund

The fluctuations in the Commission's General Fund from the year ended June 30, 2013 to June 30, 2014 year are similar to those in the government wide statement of activities. Differences between the General Fund and the governmental activities arise primarily due to differences in accounting treatment for compensated absences, other post employment benefits (OPEB), and capital assets resulting from the governmental fund financial statements being reported on a modified accrual basis of accounting.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues exceeded the budgeted amount by \$283,811, or 3 percent (3%), and total expenses were less than budgeted by \$2,454,160 or fourteen percent (-14%). The increase in revenues was due to the State tobacco tax revenue being greater than projected by the State Department of Finance and a refund from a prior year contract. Total expenditures were less than budgeted due to under-spending and savings in all areas of the budget, particularly in the Early Care and Education and Early Intervention Initiatives.

The final budget was amended from the original budget due to receipt of additional funding from an amendment to the Race to the Top program from the California Department of Education. The budget amendment increased the budgeted revenues and related expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Commission's capital assets consist of land, buildings and improvements, and furniture and fixtures. The change in capital assets over the current year is entirely attributable to \$29,447 in accumulated depreciation.

Debt Administration

The Commission's debt at June 30, 2014 consists of the long-term portion of compensated absences. The increase in the Commission's non-current obligations of \$23,389 over the prior year is attributable to an increase in compensated absences in the 2013-2014 fiscal year.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Proposition 10 cigarette tax revenues decreased 4% in FY2013/14 and it is anticipated that revenue will decline 2-3% each year for the foreseeable future as tobacco consumption declines in California. The Commission completed the fourth year of its 2010-2015 strategic plan, which entails using reserves to sustain program funding levels. We are in the planning stages of the next strategic phase, which will reduce expenditures, taking into account decreased Prop 10 revenue in 2016-2020 and a reduced fund balance.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2014**

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This annual report is intended to provide the community with a general overview of the Commission's finances. Questions about this report should be directed to the Commission's Executive Director at 1485 Civic Court, Suite 1200, Concord, California 94520.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 33,101,857
Accounts receivable	87,560
Due from other governments	1,783,538
Prepaid expense	69,013
Total current assets	<u>35,041,968</u>
Noncurrent Assets:	
Note receivable	321,000
Capital assets, net of accumulated depreciation	743,225
Prepaid pension asset	1,818,182
Net OPEB asset	111,297
Total noncurrent assets	<u>2,993,704</u>
TOTAL ASSETS	<u>38,035,672</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	69,643
Grants and contracts payable	715,991
Grants and contracts payable to related parties	432,562
Accrued wages and benefits	204,378
Unearned grant revenue	164,896
Compensated absences	15,302
Total current liabilities	<u>1,602,772</u>
Noncurrent Liabilities:	
Compensated absences	137,718
Total noncurrent liabilities	<u>137,718</u>
TOTAL LIABILITIES	<u>1,740,490</u>
NET POSITION	
Net investment in capital assets	743,225
Restricted for:	
Thomas J. Long Foundation Grant	223,109
Unrestricted	35,328,848
TOTAL NET POSITION	<u>\$ 36,295,182</u>

See accompanying notes to the basic financial statements.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Operating Grants And Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:			
Child development	<u>\$ 13,808,460</u>	<u>\$ 10,248,309</u>	<u>\$ (3,560,151)</u>
General Revenues:			
Investment income			103,467
Miscellaneous			<u>485,082</u>
Total General Revenues			<u>588,549</u>
Change in Net Position			(2,971,602)
Net Position, July 1			<u>39,266,784</u>
Net Position, June 30			<u><u>\$ 36,295,182</u></u>

See accompanying notes to the basic financial statements.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 33,101,857
Accounts receivable	87,560
Due from other governments	1,783,538
Prepaid expense	69,013
Note receivable	<u>321,000</u>
Total Assets	<u><u>\$ 35,362,968</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 69,643
Grants and contracts payable	715,991
Grants and contracts payable to related parties	432,562
Accrued wages and benefits	204,378
Unearned grant revenue	<u>164,896</u>
Total Liabilities	<u>1,587,470</u>
FUND BALANCES	
Nonspendable	390,013
Restricted	223,109
Committed	841,227
Assigned	6,599,270
Unassigned	<u>25,721,879</u>
Total Fund Balances	<u>33,775,498</u>
Total Liabilities and Fund Balances	<u><u>\$ 35,362,968</u></u>

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental funds	\$ 33,775,498
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	743,225
The prepaid pension asset resulting from contributions in excess of the annual required contribution are not current financial resources and therefore not reported in the fund financial statements.	1,818,182
The net OPEB asset resulting from contributions in excess of the annual required contribution are not current financial resources and therefore not reported in the fund financial statements.	111,297
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	<u>(153,020)</u>
Net Position of governmental activities	<u><u>\$ 36,295,182</u></u>

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>
REVENUES	
Prop 10 Tobacco Tax	\$ 8,353,104
Prop 10 CARES Plus	263,569
Grant income	1,631,636
Interest income	103,467
Other revenue	485,082
Total Revenues	<u>10,836,858</u>
EXPENDITURES	
Current:	
Program Expenditures:	
Early care and education	3,282,407
Family support	3,503,702
Early intervention	2,533,655
Community information and education	632,748
Salaries and employee benefits	1,591,305
Other program expenditures	182,250
Evaluation:	
Salaries and employee benefits	460,110
Other evaluation expenditures	355,585
Administrative:	
Salaries and employee benefits	747,254
Other administrative expenditures	280,419
Total Expenditures	<u>13,569,435</u>
Deficiency of revenues under expenditures	<u>(2,732,577)</u>
NET CHANGE IN FUND BALANCE	(2,732,577)
FUND BALANCE, July 1, 2013	<u>36,508,075</u>
FUND BALANCE, June 30, 2014	<u><u>\$ 33,775,498</u></u>

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE CHANGE IN FUND BALANCE
TO THE CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Net changes in fund balance - total governmental funds	\$ (2,732,577)
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures and changes in fund balance because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(29,447)
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.	
	(25,988)
Governmental funds report the effect of the net OPEB asset as an expenditure, whereas the amount is amortized in the Statement of Activities. This is the amortization of the net OPEB asset.	
	(1,772)
Governmental funds report the effect of the net pension asset when first paid, whereas the amount is amortized in the Statement of Activities. This is the amortization of the net pension asset.	
	<u>(181,818)</u>
Change in net position of governmental activities	<u><u>\$ (2,971,602)</u></u>

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

First 5 Contra Costa Children and Families Commission (the Commission) was established by the Contra Costa County Board of Supervisors. The Commission was established to implement the provisions of Proposition 10 adopted on November 3, 1998. The Board of Supervisors originally appointed nine commission members and nine alternate members on September 1, 1999. One of the Commissioner positions will be occupied by a member of the County Board of Supervisors and will serve a one year term, three of the Commissioner positions will be occupied by employees of Contra Costa County and will serve without term limit, and the remaining five Commissioner positions will consist of representatives from various organizations or recipients of services and will be appointed for three year terms. The mission of the Commission is, in partnership with parents, caregivers, communities, public and private organizations, advocates and county government, to foster optimal development of children, prenatally to five years of age. The Contra Costa County Board of Supervisors appoints members of the Commission and may remove any Commission member at any time. The Commission is considered a component unit of the County of Contra Costa.

Basis of Accounting and Measurement Focus

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-Wide Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting all assets and liabilities of the Commission are included on the statement of net position. The difference between the Commission's assets and liabilities is net position. Net position represents the resources the Commission has available for use in providing services. The Commission's spending priority is to spend restricted funds first, followed by unrestricted. The Commission's net position is classified as follows:

Net Investment in Capital Assets – This amount represents the Commission's capital assets, net of accumulated depreciation.

Restricted Net Position – This category represents restrictions imposed on the use of the Commission's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. The Commission's net position of \$223,109 at June 30, 2014 was restricted for the Thomas J. Long Foundation Grant.

Unrestricted – This category represents neither restrictions or net investment in capital assets and may be used by the Commission for any purpose though they may not be necessarily liquid.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current assets. All operations of the Commission are accounted for in the general fund.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Prop 10 Tobacco Tax revenue, interest and certain grant payments are accrued when their receipt occurs within ninety (90) days after the end of the accounting period so as to be both measurable and available. Expenditure-driven grant revenues are accrued when their receipt occurs within one year.

Capital assets, net of accumulated depreciation

Capital assets are not considered to be financial resources and therefore, are not reported as an asset in the fund financial statements. Capital assets are capitalized and reported at cost, net of accumulated depreciation in the government-wide financial statements.

The Commission capitalizes assets with a cost in excess of \$5,000 and a useful life greater than one year. The Commission depreciates capital assets using a straight-line method over the estimated useful life of each asset. The estimated useful life used for the depreciable capital assets, ranges from 5 to 10 years.

Depreciation expense for the year ended June 30, 2014 amounted to \$29,447 and is included in the child development functions in the statement of activities.

Long-Term Liabilities

Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities.

Compensated Absences

Compensated absences consist of employee earned vacation time and personal holiday time and are accrued by the Commission when earned by the employee. Unused vacation time and personal holiday may be accumulated up to a specified maximum and are paid at the time of termination from Commission employment.

Grants and Contracts Payable

The grants and contracts payable account represents amounts due to the contracted services providers implementing programs as part of the four initiatives established in the strategic plan approved by the Commission. The payable balance consists of the fiscal year's fourth quarter payments due to the service providers.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission has established the following classifications and definitions of fund balance for the year ended June 30, 2014:

Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g. prepaid asset, inventory) or must be maintained intact (e.g. endowment principal).

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation.

Committed – Resources with self-imposed limitations and require both a formal action of the highest level of decision making authority (Board of Commissioners) and the same formal action to remove or modify the limitations. The formal action for the Board of Commissioners is a vote to commit funds for a specific purpose.

Assigned – The assigned portion of fund balance reflects the Commission’s intended use of resources, which can be established either by the Commission Board or the Executive Director. The “assigned” fund balance is similar to the “committed” fund balance, with the difference that Commission formal action is not necessary to assign funds or later modify or remove them. Assigned funds may include the appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget or funding that has been set aside for previously executed legally enforceable contracts, such as a multi-year lease.

Unassigned – Resources that cannot be reported in any other classification.

The Commission’s spending priority is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

Contingency Fund

The Commission Board approved a contingency fund of \$7,500,000 which is classified as part of the unassigned fund balance as of June 30, 2014. The fund balance will be used to mitigate the impact of unanticipated circumstances. Such events would include, but are not be limited to, legislation, lawsuits, ballot initiatives or other measures that would reduce, eliminate or otherwise threaten First 5 revenues or reserves. In such circumstances, the Commission could elect to use the contingency fund to meet or extend contracts or meet other emergent expenses.

Refer to Note 8 for additional details regarding the classification of fund balance.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement was effective July 1, 2013 and did not have a material impact.

GASB Statement No. 66 – In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – and amendment of GASB Statements No. 10 and 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement was effective July 1, 2013. The commission has determined that this statement is not applicable.

GASB Statement No. 67 – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by State and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This statement was effective July 1, 2013. The commission has determined that this statement is not applicable.

GASB Statement No. 70 – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was effective July 1, 2013. The commission has determined that this statement is not applicable.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is not effective until the fiscal year ending June 30, 2015. The Commission has not determined the effect of this Statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The Statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This Statement is not effective until the fiscal year ending June 30, 2015. The Commission has not determined the effect of this Statement.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Commission has not determined the effect of this statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2014:

Cash in County Pool	\$ 33,100,557
Imprest cash	<u>1,300</u>
Total Cash and Investments	<u><u>\$ 33,101,857</u></u>

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investment Policy

The Commission adopted a resolution in February 2001 delegating investment authority to the County Treasurer, and specifying that the Commission “will continue to advise how the Children and Families Trust Funds are to be invested”. The Executive Director is authorized by the Commission’s board approved Consolidated Financial Policies to invest in securities of varying maturity according to cash flow and long term needs. Investments not specifically directed by the Commission to be invested separately are maintained with the County Treasurer in the County investment pool (Pool). On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the classification of investments and other deposit and investment risk disclosures can be found in the County’s Comprehensive Annual Financial Report (CAFR). The County’s financial statements may be obtained by contacting the County of Contra Costa’s Auditor-Controller’s office at 625 Court Street, Martinez, California 94553. The Contra Costa County Treasury Oversight Committee oversees the Treasurer’s investments and policies. Investments held in the Pool are available on demand and are stated at their fair value.

Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. The County manages its exposure to declines in fair value of Pool investments by investing in securities that have a term remaining to maturity in less than five years, unless the legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment. Information about the sensitivity of the fair value of the Commission investments to market interest rate fluctuations is provided in the following table.

As of June 30, 2014, the Commission had the following investments:

Investment	Maturity	Fair Value	WAM Years
County Investment Pool	N/A	\$ 33,100,557	0.51
Total Investments		<u>\$ 33,100,557</u>	

Credit Risk

The following is a summary of the credit quality of the County Investment Pool at June 30, 2014:

Investment	S&P	Moody’s	Amount
County Investment Pool	AAAf	Aa2	\$ 33,100,557

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Refer to the County’s CAFR for additional information on custodial credit risks of the County Investment Pool.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Investments held in the Pool are subject to the County's investment policy and contains certain limits on the amount that can be invested in any one issuer beyond that stipulated by California code. Refer to the County's CAFR for additional information on concentration of credit risks of the County Investment Pool.

NOTE 3 – COMPENSATED ABSENCES

Changes in the liability for the 2013-2014 fiscal year are summarized as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amount Due within one year
Compensated Absences	<u>\$ 127,032</u>	<u>\$ 136,740</u>	<u>\$ (110,752)</u>	<u>\$ 153,020</u>	<u>\$ 15,302</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2014, were as follows:

Due from State Commission:

Prop 10 revenue for:

May 2014 \$ 751,588

June 2014 773,658

Cares Plus - Phase 2 258,292

Total due from other governments \$ 1,783,538

NOTE 5 – NOTES RECEIVABLE

In November 2005, the Commission entered into a forgivable loan agreement with the Perinatal Council (now known as Brighter Beginnings) to acquire and renovate a property in Antioch, California for the purpose of operating a First 5 Center on site. The Commission loaned to the Perinatal Council \$428,000 for a period of twenty years. The Commission agreed to forgive 25% of the loan on the 5th anniversary date of the issuance of the Certificate of Completion, 25% on the 10th anniversary, 25% on the 15th anniversary and 25% at the end of the loan term. The loan is secured by a Deed of Trust and recorded as a lien against the property. The loan does not bear interest unless there is a default by the Borrower, such as an unauthorized transfer of the property or change in the use of the site. The Commission does not anticipate receiving any cash payments from the borrower. The loan had an outstanding balance of \$321,000 as of June 30, 2014.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 – CAPITAL ASSETS

Governmental activities:	June 30, 2013	Additions	Deletions	June 30, 2014
Capital assets, not being depreciated				
Land	\$ 245,430	\$ -	\$ -	\$ 245,430
Total capital assets, not being depreciated	<u>245,430</u>	<u>-</u>	<u>-</u>	<u>245,430</u>
Capital assets, being depreciated:				
Buildings and improvements	666,935	-	-	666,935
Furniture and fixtures	<u>125,012</u>	<u>-</u>	<u>-</u>	<u>125,012</u>
Total capital assets, being depreciated	<u>791,947</u>	<u>-</u>	<u>-</u>	<u>791,947</u>
Less accumulated depreciation for:				
Buildings and improvements	(156,167)	(25,458)	-	(181,625)
Furniture and fixtures	<u>(108,538)</u>	<u>(3,989)</u>	<u>-</u>	<u>(112,527)</u>
Total accumulated depreciation	<u>(264,705)</u>	<u>(29,447)</u>	<u>-</u>	<u>(294,152)</u>
Governmental activities capital assets, net	<u>\$ 772,672</u>	<u>\$ (29,447)</u>	<u>\$ -</u>	<u>\$ 743,225</u>

NOTE 7 – COMMITMENTS

The Commission leases office space from third parties under long-term operating leases for the local First 5 centers and the administration office. All of the Commission's leases are non-cancellable leases except the First 5 Contra Costa office lease which can be terminated after June 30, 2016, with a minimum of 6 months notice to the lessor. The future minimum rental payments due under the leases are as follows.

Year Ended June 30,	Concord First 5 Center	Delta First 5 Center	Bay Point First 5 Center	First 5 Contra Costa Office	Total
2015	\$ 12,000	\$ 67,500	\$ 8,800	\$ 173,556	\$ 261,856
2016	-	67,500	-	177,992	245,492
2017	-	-	-	182,424	182,424
2018	-	-	-	186,852	186,852
2019	-	-	-	94,164	94,164
	<u>\$ 12,000</u>	<u>\$ 135,000</u>	<u>\$ 8,800</u>	<u>\$ 814,988</u>	<u>\$ 970,788</u>

Rent expense was \$311,234 for the year ended June 30, 2014.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 8 – FUND BALANCE

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2014 consisted of the following:

Fund Balance:	<u>General Fund</u>
Nonspendable:	
Prepaid Expense	\$ 69,013
Note Receivable - Perinatal	321,000
Restricted:	
Long Foundation Grant	223,109
Committed:	
Capital Asset Replacement	841,227
Assigned:	
Elimination of FY14/15 budget deficit	5,628,482
Operating Leases	970,788
Unassigned:	
Unassigned fund balance	25,721,879
Total Fund Balance	<u><u>\$ 33,775,498</u></u>

The Commission Board approved a contingency fund of \$7,500,000 which is classified as part of the unassigned fund balance as of June 30, 2014.

NOTE 9 – CONTINGENCIES

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.

NOTE 10 – RELATED PARTY TRANSACTIONS

The legally required composition of the Children and Families Commission includes a County Supervisor, Directors of County agencies and representatives of agencies and constituencies concerned with children. Many of the programs funded by the Commission are operated by organizations represented by Commissioners and Alternate Commissioners. Commissioners and Alternate Commissioners must abstain from voting on issues and participating in discussions directly related to their respective organizations.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

The following table shows fiscal year 2013-2014 expenses with agencies represented by Commissioners and Alternate Commissioners:

Related Party	Fiscal Year 2013-14 Expenses
Contra Costa County	\$ 554,056
Contra Costs Child Care Council	1,761,469
We Care Services for Children	678,321
Total	<u>\$ 2,993,846</u>

The Commission incurred expenses totaling \$554,056 for County services provided during the year ended June 30, 2014. Of the total expenses paid to the County, \$114,062 is for administrative and general services. The County provides banking, investment and legal services, payroll and benefits administration, computer hardware and technical support, facility maintenance, and other administrative services to the Commission. The Commission participates in the County's risk management programs (commercial and self-insurance programs) for general and automobile liability insurance and personal property. In addition, the County purchases worker's compensation and crime insurance on behalf of the Commission. Of the remaining \$439,994 of expenses, \$144,398 was for the County's Behavioral Health Services, and \$295,596 was for the County's Mental Health Division.

The following table shows balances due to agencies represented by Commissioners and Alternate Commissioners:

Related Party	Balances Due June 30, 2014
Contra Costa County	\$ 274,317
Contra Costa Child Care Council	111,558
We Care Services for Children	46,687
Total	<u>\$ 432,562</u>

The Commission has accrued expenses totaling \$274,317 for County services provided during the year ended June 30, 2014. Of the total payable amount, \$9,752 is for administrative and general services as indicated above. Of the remaining \$264,565, \$120,167 is owed for the County's Mental Health Division, \$144,398 is payable for Behavioral Health Services.

The following table shows fiscal year 2013-2014 revenue with agencies represented by Commissioners and Alternate Commissioners:

Related Party	Fiscal Year 2013-14 Revenue
Contra Costa County	\$ 451,443
Contra Costa Child Care Council	9,500
Total	<u>\$ 460,943</u>

The Commission earned revenue totaling \$451,443 from Contra Costa County during the year ended June 30, 2014. This revenue was solely for Health Services, which includes Public Health, Behavioral Health, and Mental Health Services.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 11 – PROGRAM EVALUATION

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

For the year ended June 30, 2014, the Commission expended \$815,695 for program evaluation.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Contra Costa County Employee Retirement Association (CCCERA) is governed by the Board of Retirement under the County Employees Retirement Law of 1937, as amended. The plan covers substantially all of the employees of the County and sixteen member agencies, including First 5 Contra Costa Children and Families Commission. The plan issues stand-alone financial statements which can be directly obtained from its office at 1355 Willow Way, Suite 221, Concord, California 94520.

The plan provides for retirement, death or disability to its members, in accordance with the 1937 Act. Annual cost-of-living adjustments to retirement benefits can be granted by the Retirement Board as provided by state statutes. Covered employees are required by statute to contribute toward their pensions; the amount is determined by when the employee was hired, the employee's salary and their age when entering the retirement system.

CCCERA operates as a cost sharing, multiple employer defined benefit pension plan. In October 2009, the Retirement Board depooled CCCERA's assets, actuarial accrued liability (AAL), and normal cost both by tier and employer for determining employer contribution rates. This Board action yielded 12 separate cost groups by employer, with the exception of smaller employers (those with less than 50 active members, including First 5 Contra Costa) who continued to be pooled with the applicable County tier. The depooling action affected the actuarially determined employer rates effective July 1, 2011. The plan is currently divided into eight benefit levels in accordance with the 1937 Act. These levels are known as General Tier I enhanced and non-enhanced; Tier II; Tier III enhanced and non-enhanced; Safety Tier A, enhanced and non-enhanced and Safety Tier C, enhanced. On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provides enhanced benefit changes commonly known as 3% at 50 for safety members and 2% at 55 for general members, effective July 1, 2002 and January 1, 2003, respectively. First 5 Contra Costa employees hired prior to January 1, 2011 are all classified as General Tier I, enhanced. Service retirement benefits are based on age, length of service and final average salary in accordance with the California Government Code Section 31462 and 31462.1. The retirement benefit is based on a one-year average salary.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

In March 2010, the Board agreed to adopt a change to terminal pay elements for members with membership dates on or after January 1, 2011. Under this amended policy, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes. In April 2011, the Board voted to develop terminal pay assumptions by cost group, beginning with the December 31, 2010 valuation. CCCERA's actuary prepared contributions rates that became effective for both employee and employer on July 1, 2011, for those members with membership dates on or after January 1, 2011.

On September 12, 2012, the California Public Employee' Pension Reform Act (PEPRA) was signed into law establishing a new tier for General and Safety employees entering CCCERA membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Benefits under the new PEPRA tiers are based on a three-year final average compensation period. Additionally, PEPRA limits the amount of compensation CCCERA can use to calculate a retirement benefit.

On September 12, 2012 AB197 was passed by the California Legislature. Changes mandated in AB197, in which the legislation changed the definition of "compensation earnable" in Section 31461 of the Government code, would apply to current CCCERA members. On November 28, 2012, the Deputy Sheriff's Association and the International Association of Firefighters filed a lawsuit against CCCERA and the Board of Retirement on behalf of all active and deferred members of CCCERA to stop CCCERA and the Board of Retirement from implementing AB197. With CCCERA's agreement, the Contra Costa County Superior Court issued a stay order, requiring CCCERA to refrain from implementing AB197 and continue to follow its current policy on final average salary calculations for all members who are not "new members" as defined in PEPRA, until after this matter was heard and decided.

On May 12, 2014, the Superior Court issued a judgment directing CCCERA to proceed to comply with AB 197 for all retirements effective on or after July 12, 2014. The matter was appealed. The Court of Appeal was requested to issue a "stay" of the implementation of AB 197 past July 11th during the pendency of the appeal. On June 30, 2014 the Court of Appeal issued an order denying the request for an additional "stay." CCCERA is therefore required to implement the AB 197 changes in calculating benefits for all retirements with an effective date of July 12, 2014 or later.

B. Funding Policy

The employees and members contribute to CCCERA based on rates recommended by an independent actuary and adopted by the CCCERA Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contributions are formulated on the basis of the date of entry and the actuarially calculated benefits. In addition to the fiscal year 2012-13 annual required contribution, on June 24, 2013, the Commission Board approved an agreement with CCCERA to make a \$2,000,000 prepayment contribution to the Unfunded Actuarial Accrued Liability (UAAL) to be amortized over an eleven year period. The following table shows the components of the Commission's annual Pension cost for the year and changes in the Commission's Prepaid Pension asset:

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Funding Policy (Continued)

Annual required contribution	\$ 421,034
Contributions made:	
Contributions	(334,023)
FY 2013 overpayment applied to FY2014	(69,976)
Prepayment discount	(17,035)
Amortization of prepaid pension	<u>(181,818)</u>
Increase (decrease) in prepaid pension asset	<u>(181,818)</u>
Prepaid pension asset - beginning of year	<u>2,000,000</u>
Prepaid pension asset - end of year	<u><u>\$ 1,818,182</u></u>

Contra Costa County and special districts, including First 5 Contra Costa, are required by statute to contribute the amounts necessary to finance the estimated benefits accruing to their employees. The Commission's contributions to CCCERA for the years ending June 30, 2014, 2013 and 2012 were \$421,034, \$2,566,991, and \$543,503 respectively.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Prepaid Pension Asset / (Obligation)</u>
6/30/2014	\$ 351,058	83.38%	\$ 1,818,182
6/30/2013	566,991	452.74%	2,000,000
6/30/2012	543,503	100.00%	-

NOTE 13 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. First 5 Contra Costa Children and Families Commission ("Commission") participates in the County of Contra Costa Post Retirement Health Benefits Plan. The County is the plan sponsor and administers the single-employer defined benefit healthcare plan. The plan provides post employment medical and dental insurance benefits to eligible retired Commission employees and their dependents. The OPEB plan is presented as a trust fund with the County of Contra Costa Comprehensive Annual Financial Report. A copy of this report can be obtained at 625 Court Street, Finance Building, Martinez, California 94553.

The County contracts with health plans to provide medical and dental benefits. For employees hired prior to January 1, 2009, the Commission will contribute a percentage (varying by medical plan) of the medical and/or dental premiums. For current eligible employees, the Commission contribution will be capped at the 2009 premium level for future years. Any person who becomes age 65 and is eligible for Medicare must immediately enroll in Medicare Parts A and B.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 13 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Eligibility. Commission staff are eligible for membership in the plan when they retire at age 50 or older from the Commission (drawing a pension from CCCERA), are active subscribers to one of the County contracted health/dental plans, and have 10 years of service (15 years if hired after December 31, 2006). Members in deferred retirement status may maintain membership in County health plans at their own cost and become eligible for coverage as a retiree upon commencement of their pension. Employees hired on or after January 1, 2009 are not eligible to receive a Commission contribution toward their retirement medical or dental costs. There were thirteen plan members eligible for Commission contributions as of the date of this report.

Funding Policy. The contribution requirements of program members and the Commission are established by the Contra Costa Board of Supervisors and may be amended by the Commission. Currently the Commission follows the County's retiree contribution guidelines. In fiscal year 2013-2014 the Commission funding was based on the "pay-go" basis. The Commission had one retiree receiving healthcare benefits during 2013-2014, and the "pay-go" cost was \$16,660.

The Commission board passed a resolution on November 5, 2012 to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB effective December 27, 2012. CERBT is administered by the CalPERS Board, who has sole and exclusive control and power over the administration and investment of the prefunding plan.

Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, California 94229-2709.

Annual OPEB Cost and Net OPEB Obligation (Asset). The Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the year and changes in the Commission's Net OPEB obligation (asset):

Annual required contribution	\$ 23,100
Interest on net OPEB obligation	(7,983)
Adjustment to annual required contribution	9,755
Annual OPEB cost (expense)	<u>24,872</u>
Contributions made	<u>(23,100)</u>
Decrease (increase) in net OPEB (asset) obligation	1,772
Net Post Employment Benefit (asset) obligation - beginning of year	<u>(113,069)</u>
Net Post Employment Benefit (asset) - end of year	<u><u>\$ (111,297)</u></u>

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 13 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013-2014:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2014	\$ 24,872	93%	\$ (111,297)
6/30/2013	59,048	937%	(113,069)
6/30/2012	78,403	0%	381,138

Funded Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$553,255. As of June 30, 2013, the Plan Assets were \$561,057, resulting in a Funded Actuarial Accrued Liability (Asset) (UAAL) of (\$7,802). The covered payroll was \$1,138,000, and the ratio of the UAAL to covered payroll was (0.69%).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the valuation used to determine the FY 2013-14 ARC, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.06% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the County's own investments and an annual healthcare cost trend rate of 7% in 2014 initially, reduced by 0.5% decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level dollar amount over 30 years on a level dollar closed basis. The remaining amortization period at June 30, 2014, was twenty-four years.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 14 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to the loss of, damage to and destruction of assets caused by accidents, forces of nature, and the requirements of the California Labor Code.

The Commission mitigates its exposure to loss through multiple risk treatment mechanisms. The Commission participates in the County of Contra Costa's self insurance program for public and automobile liability, and property losses, where excess insurance has been purchased through California State Association of Counties Excess Insurance Authority (CSAC-EIA), a joint powers authority. The Commission participates in a joint power authority, separate from the County's, effected through CSAC-EIA for its workers' compensation exposure. Crime insurance is covered through the purchase of commercial insurance.

During the year ending June 30, 2014, the Commission has no settlements exceeding insurance coverage for these categories of risk. For the past two years, settlements or judgment amounts have not exceeded insurance provided for the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Prop 10 Tobacco Tax	\$ 8,248,465	\$ 8,248,465	\$ 8,353,104	\$ 104,639
Prop 10 CARES Plus	300,000	300,000	263,569	(36,431)
Race to the Top	387,300	529,332	364,436	(164,896)
Thomas J. Long Foundation	1,267,200	1,267,200	1,267,200	-
Interest income	120,000	120,000	103,467	(16,533)
Other revenue	75,000	88,050	485,082	397,032
Total Revenues	<u>10,397,965</u>	<u>10,553,047</u>	<u>10,836,858</u>	<u>283,811</u>
EXPENDITURES				
Current:				
Program Expenditures:				
Early care and education	3,839,644	3,981,676	3,282,407	699,269
Family support	3,766,463	3,772,513	3,503,702	268,811
Early intervention	3,286,657	3,286,657	2,533,655	753,002
Community information and education	667,086	674,086	632,748	41,338
Salaries and employee benefits	1,853,448	1,853,448	1,591,305	262,143
Other program expenditures	236,866	236,866	182,250	54,616
Evaluation:				
Salaries and employee benefits	545,776	545,776	460,110	85,666
Other evaluation expenditures	363,353	363,353	355,585	7,768
Administrative:				
Salaries and employee benefits	880,866	880,866	747,254	133,612
Other administrative expenditures	428,354	428,354	280,419	147,935
Total Expenditures	<u>15,868,513</u>	<u>16,023,595</u>	<u>13,569,435</u>	<u>2,454,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,470,548)</u>	<u>(5,470,548)</u>	<u>(2,732,577)</u>	<u>2,737,971</u>
Net Change in Fund Balance (BUDGETARY BASIS)	<u>\$ (5,470,548)</u>	<u>\$ (5,470,548)</u>	<u>(2,732,577)</u>	<u>\$ 2,737,971</u>
Total Basis Adjustments			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>(2,732,577)</u>	
FUND BALANCE, BEGINNING OF YEAR			<u>36,508,075</u>	
FUND BALANCE, END OF YEAR			<u>\$ 33,775,498</u>	

See accompanying note to required supplementary information.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	UAAL (Asset) as a Percentage of Covered Payroll
June 30, 2013	\$ 561,057	\$ 553,255	\$ (7,802)	101%	\$ 1,138,000	0.69%
July 1, 2011	-	537,405	537,405	0%	1,121,213	47.9%
July 1, 2008	-	359,199	359,199	0%	1,125,207	31.9%

See accompanying note to required supplementary information.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operations, commencing July 1st, are governed by the proposed budget, adopted by the board of Commissioners by June of the prior fiscal year.

An operating budget is adopted each fiscal year in the modified accrual basis of accounting. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unpaid contracts in process at year-end are fully performed by year-end or purchase commitments satisfied. Unencumbered appropriations lapse at year-end and encumbrance balances that will not be honored are liquidated.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the total fund level.

OTHER INFORMATION

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF EXPENSES BY FUND SOURCE AND
NET POSITION OF CCFC FUNDS FOR FIRST 5 PROGRAMS AND ACTIVITIES
FOR YEAR ENDED JUNE 30, 2014**

Program	Source	Revenue CCFC		Change in Net Position	Net Position	
		Funds	Expenses		Beginning of Year	Net Position End of Year
CARES PLUS	CCFC Program Funds	\$ 263,569	\$ 263,569	\$ -	\$ -	\$ -
	County, Local Funds	821,916	821,916	-	-	-

COMPLIANCE REPORTS



**INDEPENDENT AUDITORS' 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 Contra Costa Children and Families Commission
Concord, 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 general fund of the First 5 Contra Costa Children and Families Commission (the Commission), a component unit of the County of Contra Costa, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 24, 2014.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
September 24, 2014



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

We have audited the First 5 Contra Costa Children and Families Commission's (the 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, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of the laws and regulations applicable to the California Children and Families Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller 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. Those standards and the State of California's *Standards and Procedures for the Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the statutory requirements listed below occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested 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 of Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

Opinion

In our opinion, the First 5 Contra Costa Children and Families 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, 2014.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing 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*, issued by the State Controller's Office. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Varrinck, Train, Day & Co., LLP". The signature is written in a cursive, flowing style.

Sacramento, California
September 24, 2014

**FIRST 5 CONTRA COSTA
CHILDREN AND FAMILIES COMMISSION**

**SINGLE AUDIT REPORT
(OMB CIRCULAR A-133)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FIRST FIVE CONTRA COSTA CHILDREN AND FAMILIES COMMISSION

**SINGLE AUDIT REPORT
(OMB CIRCULAR A-133)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**INDEPENDENT AUDITORS' 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 Contra Costa Children and Families Commission
Concord, 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 general fund of the First 5 Contra Costa Children and Families Commission (the Commission), a component unit of the County of Contra Costa County, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 24, 2014.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
September 24, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

Report on Compliance for Each Major Federal Program

We have audited the First 5 Contra Costa Children and Families Commission's (the Commission) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2014. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's 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 federal 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 federal 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 federal 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and general fund of the Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated September 24, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Sacramento, California
September 24, 2014

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	DIRECT OR PASS THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>U. S. Department of Education</u>			
<u>Passed through the California Department of Education</u>			
Race to the Top - Early Learning Challenge	84.412	2012-15181-2560-00	\$ 575,224
Total Department of Education			575,224
Total Expenditures of Federal Awards			\$ 575,224

See accompanying notes to the schedule.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the First 5 Contra Costa Children and Families Commission (the Commission) as defined in Note 1 to the Commission's financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE #2 – DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the Commission by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The schedule includes both of these types of Federal award programs when they occur.

NOTE #3 – AMOUNT PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Federal Awards, the Commission provided federal awards to subrecipients as follows:

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Race to the Top - Early Learning Challenge	84.412	<u>\$ 575,224</u>	<u>\$ 412,500</u>

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over federal major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)	<u>No</u>

Identification of federal major p

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>84.412</u>	<u>Race to the Top - Early Learning Challenge</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee under OMB Circular A-133, Section 530?	<u>No</u>

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

II. FINANCIAL STATEMENT FINDINGS

None Reported.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

None reported.