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, 2015

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2015

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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 statement of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission (Commission), a component unit of the County of Contra Costa, California, as of and for the year ended June 30, 2015, 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 statement 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 required 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 auditors' judgment, including the assessment of 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 Commission'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 Commission, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis, budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions, and the schedule of funding progress for the retiree health plan on pages 3 through 9 and pages 35 through 39, 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 financial 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 (Schedule) is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedule 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to described the scope of our testing of internal control over financial reporting and compliance and that 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.

Vavrinek, Trine, Day & Co., LLP

Sacramento, California
October 1, 2015

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, 2015. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 10).

FISCAL 2015 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

At the close of fiscal year 2014-2015, the Commission's assets plus deferred outflows exceeded its liabilities plus deferred inflows by $29,958,002 (net position), a decrease of 21% from the previous year. Of this amount, $733,924 was the net investment in capital assets and $718,030 was restricted for Thomas J. Long Foundation grants. The remaining net position, $28,506,048, was available to meet the Commission's ongoing obligations. The change in net position is due to the adoption of GASB 68 (9%) as a result of the recognition of the net pension liability and the Commission's planned use of resources to keep program funding stable and in line with budget expectations (8%).

Total commission revenues for fiscal year 2014-2015, 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 $11,111,722, an increase of $274,864 from the prior year's amount of $10,836,858. Total expenses for fiscal year 2015 were $14,082,074, an increase of $273,614 from prior year expenses of $13,808,460.

The 2014-15 Proposition 10 tax revenue total of $8,194,261 decreased 2% from the previous year's total of $8,353,104 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 supplementary information

Government-Wide Financial Statements

The *government-wide financial statement*s 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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.

In Fiscal Year 2015, the Commission adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and Required Supplementary Information requirements about pensions also are addressed. For defined benefit pensions plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute those present values to periods of employee service.

The adoption of Statement No. 68 had no impact on the Commission's governmental fund financial statements, which continue to report expenditures in the amount of the actuarially determined contributions. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the Commission's July 1, 2014 beginning net position to reflect the reporting of the net pension liability and deferred outflows (inflows) of resources for its pension plan and the recognition of pension expense in accordance with the provision of the Statement. The prior year's net position as of July 1, 2014 was decreased by $3,366,828 to $32,928,354, reflecting the cumulative retrospective effect of adoption. The components of this decrease include recording a net pension liability of $2,071,332, deferred outflows of $522,686, and recognizing the remaining $1,818,182 balance of the Commission's prepayment towards its unfunded accrued actuarial liability.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability (December 31, 2013). The Commission reported a deferred outflow of resources in the amount of $522,686 as a beginning adjustment to net position and $302,583 at June 30, 2015 as a result of this Statement.

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 and general fund financial statements.

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.

The following is a summary of the Commission's Statement of Net Position comparing balances at June 30, 2015 and June 30, 2014.

	Governmental Activities		
	2015	2014 (restated)	Change
Assets:			
Current and other assets	$ 32,016,904	$ 35,041,968	$ (3,025,064)
Noncurrent assets	1,164,476	1,175,522	(11,046)
Total Assets	33,181,380	36,217,490	(3,036,110)
Deferred outflows of resources:	388,018	-	388,018
Liabilities:			
Current liabilities	1,549,398	1,602,772	(53,374)
Noncurrent liabilities	1,844,600	137,718	1,706,882
Total Liabilities	3,393,998	1,740,490	1,653,508
Deferred inflows of resources:	217,398	-	217,398
Net Position:			
Net investment in capital assets	733,924	743,225	(9,301)
Restricted	718,031	223,109	494,922
Unrestricted	28,506,047	35,328,848	(6,822,801)
Total Net Position	$ 29,958,002	$ 36,295,182	$ (6,337,180)

The Commission's net position from governmental activities decreased from $36,295,182 in 2014 to $29,958,002 in 2015. This decrease in Net Position is primarily due to the budgeted use of net position to sustain consistent program funding of $2,970,352 and the implementation of GASB Statement No. 68. In accordance with GASB 68, the Commission recorded a net pension liability and removed a prepaid pension asset resulting in decreases to net position of $1,683,167 and $1,818,182, respectively.

Current and other assets decreased $3,025,064 from the prior year primarily due to the use of cash to finance the Commission's expenses of the current period. 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.

Another component of current assets is the due from other governments balance in the amount of $1,762,218 at June 30, 2015. These receivables are due from the State for the May and June 2015 Proposition 10 tax revenues, and the First 5 California Cares Plus and the California Quality Block Grant expenditures.

Noncurrent assets decreased $1,829,228 primarily as a result of the implementation of GASB 68 and the removal of a prepaid pension asset in the amount of $1,818,182. Other reasons for the decrease include depreciation on capital assets and amortization of the net OPEB asset.

Current liabilities for the year ending June 30, 2015 decreased $53,374 from the prior year due to decreased 4th quarter contract payments and accounts payable. Current liabilities include accounts payable of $48,851, 4th quarter contract payments of $1,033,889 payable to service providers and related parties at June 30, 2015, and accrued wages and benefits of $227,968. The California Department of Education Race to the Top proceeds received but not earned equaled $238,690 and are included in current liabilities.

Noncurrent liabilities consist of the long term portion of accrued vacation in the amount of $161,433 and the net pension liability of $1,683,167, totaling $1,844,600.

In 2015, the Commission reported deferred outflows of resource and deferred inflows of resources in the amounts of $388,018 and $217,398, respectively. The deferred outflows (inflows) of resources represent amounts that will increase (decrease) pension expense in subsequent periods.

The following is a summary of the Commission's revenue, expense and change in net position comparing fiscal year 2014-2015 with fiscal year 2013-2014:

	Governmental Activities		
	2015	2014	Change
Program Revenues:			
Prop 10 Tax	$ 8,194,261	$ 8,353,104	$ (158,843)
Prop 10 CARES Plus	303,249	263,569	39,680
Grant income	2,393,652	1,631,636	762,016
Total Program Revenues	10,891,162	10,248,309	642,853
General Revenues:			
Interest income	112,879	103,467	9,412
Other revenue	107,681	485,082	(377,401)
Total Revenues	11,111,722	10,836,858	274,864
Expenses:			
Child development	14,082,074	13,808,460	273,614
Change in net position	(2,970,352)	(2,971,602)	1,250
Net position, beginning of year (as restated*)	32,928,354	39,266,784	(6,338,430)
Net position, end of year	$ 29,958,002	$ 36,295,182	(6,337,180)

*Restated for the implementation of GASB 68 and 71

Proposition 10 tax revenues decreased by $158,843 compared to the 2013-2014 fiscal year. Grant income increased $762,016, primarily due to a new grant from the Thomas J. Long Foundation to develop a county wide Help Me Grow network in Contra Cost a County, linking families with young children to developmental resources. The first payment of the grant was $640,000. The Commission also received $99,781 in California Preschool Quality Block Grant funding through the Contra Costa County Office of Education for preschool quality improvement. Other revenue decreased from the prior year due to a contract refund of $364,541 in FY2014.

The Commission's overall expenses increased $273,614 (2%) in 2014-15 from the prior year. The Early Care and Education Initiative increased Race to the Top spending from $575,224 to $663,871. Preschool scholarship funding from the Thomas J Long Foundation continued, with $1,120,550 distributed. The grant is in its final year, ending in December 2015. The Early Intervention Initiative sponsored trainings for early intervention providers and began planning the implementation of the Help Me Grow county network. The Community Engagement groups assessed public parks throughout the Contra Costa County, bringing their findings and recommendations to the San Pablo, Concord, and Antioch City Councils.

Financial Analysis of the Governmental Fund

The fluctuations in the Commission's General Fund revenues and expenditures from the year ended June 30, 2014 to June 30, 2015 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, retirement and other post-employment benefits, and capital assets resulting from the governmental fund financial statements being reported on a modified accrual basis of accounting.

General Fund balance decreased $2,969,055 as a result of the Commission's planned use of resources to keep program funding stable.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues exceeded the budgeted amount by $728,067, or 7%, and total expenditures were less than budgeted by $1,951,085 or 14%. The increases in revenues were due to new grant funding. Total expenditures were less than budgeted due to under-spending and savings in all areas of the budget, particularly in the Early Intervention Initiative.

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 from the prior year is attributable to $12,565 for new flooring at the San Pablo First 5 Center, $7,160 for workstations at the First 5 administrative offices and $29,025 in accumulated depreciation,

Debt Administration

The Commission's long-term obligations at June 30, 2015 consist of the long-term portion of compensated absences and its net pension liability. The increase in the Commission's long term obligation of $1,706,882 was a result of the implementation of GASB 68 and 71 ($1,683,167) and an increase in compensated absences ($23,715).

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Proposition 10 cigarette tax revenues decreased 2% in FY2015 and it is anticipated that revenue will decline 3-4% each year for the foreseeable future as tobacco consumption declines in California. The Commission extended its 2010-2015 strategic plan through FY15/16, which entails using reserves to sustain program funding levels. The Commission had a strategic planning retreat in May 2015 and will consider its strategic plan for 2016-2020 in October 2015.

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 FAMILES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	$ 30,099,840
Accounts receivable	60,608
Due from other governments	1,762,218
Prepaid expense	94,238
Total current assets	32,016,904
Noncurrent Assets:	
Note receivable	321,000
Capital assets, net of accumulated depreciation	733,924
Net OPEB asset	109,552
Total noncurrent assets	1,164,476
TOTAL ASSETS	33,181,380
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	388,018
LIABILITIES	
Current Liabilities:	
Accounts payable	48,851
Grants and contracts payable	854,450
Grants and contracts payable to related parties	179,439
Accrued wages and benefits	210,031
Unearned grant revenue	238,690
Compensated absences	17,937
Total current liabilities	1,549,398
Noncurrent Liabilities:	
Compensated absences	161,433
Net pension liability	1,683,167
Total noncurrent liabilities	1,844,600
TOTAL LIABILITIES	3,393,998
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	217,398
NET POSITION	
Net investment in capital assets	733,924
Restricted for:	
Thomas J. Long Foundation, Preschool Makes a Difference	92,560
Thomas J. Long Foundation, Help Me Grow	625,470
Unrestricted	28,506,048
TOTAL NET POSITION	$ 29,958,002

See accompanying notes to the basic financial statements.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues: Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:			
Child development	$ 14,082,074	$ 10,891,162	$ (3,190,912)
General Revenues:			
Investment income			112,879
Miscellaneous			107,681
Total General Revenues			220,560
Change in Net Position			(2,970,352)
Net Position, July 1 (restated)			32,928,354
Net Position, June 30			$ 29,958,002

See accompanying notes to the basic financial statements.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2015

		General Fund
ASSETS		
Cash and investments	$	30,099,840
Accounts receivable		60,608
Due from other governments		1,762,218
Prepaid expense		94,238
Note receivable		321,000
Total Assets	$	32,337,904
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$	48,851
Grants and contracts payable		854,450
Grants and contracts payable to related parties		179,439
Accrued wages and benefits		210,031
Unearned grant revenue		238,690
Total Liabilities		1,531,461
FUND BALANCES		
Nonspendable		415,238
Restricted		718,030
Committed		841,227
Assigned		4,589,823
Unassigned		24,242,125
Total Fund Balances		30,806,443
Total Liabilities and Fund Balances	$	32,337,904

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, 2015

Fund balances of governmental funds	$	30,806,443
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.		733,924
Deferred outflows of resources related to pensions		388,018
The net OPEB asset resulting from contributions in excess of the annual required contribution is not a current financial resource and therefore not reported in the fund financial statements.		109,552
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Net Pension Liability		(1,683,167)
Compensated absences		(179,370)
Deferred inflows of resources related to pensions		(217,398)
Net Position of governmental activities	$	29,958,002

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, 2015

	General Fund
REVENUES	
Prop 10 Tobacco Tax	$ 8,194,261
Prop 10 CARES Plus	303,249
Grant income	2,393,652
Interest income	112,879
Other revenue	107,681
Total Revenues	11,111,722
EXPENDITURES	
Current:	
Program Expenditures:	
Early care and education	3,205,974
Family support	3,589,360
Early intervention	2,526,279
Community information and education	660,077
Salaries and employee benefits	1,892,908
Other program expenditures	189,039
Evaluation:	
Salaries and employee benefits	507,181
Other evaluation expenditures	349,129
Administrative:	
Salaries and employee benefits	834,922
Other administrative expenditures	306,183
Capital outlay	19,725
Total Expenditures	14,080,777
NET CHANGE IN FUND BALANCE	(2,969,055)
FUND BALANCE, July 1, 2014	33,775,498
FUND BALANCE, June 30, 2015	$ 30,806,443

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, 2015

Net changes in fund balance - total governmental funds	$ (2,969,055)
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	(29,025)
Capital outlays	19,725
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.	(26,349)
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.	(1,745)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts.	36,097
Change in net position of governmental activities	$ (2,970,352)

See accompanying notes to the basic financial statements.

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, liabilities and deferred outflows and inflows of the Commission are included on the statement of net position. The difference between the Commission's assets, liabilities, deferred outflows of resources and deferred inflows of resources 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 resources 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 $718,030 at June 30, 2015 was restricted for the Thomas J. Long Foundation Grant.

Unrestricted – This category represents neither restrictions nor net investment in capital assets and may be used by the Commission for any purpose though they may not be necessarily liquid.

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 current resources. 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, 2015 amounted to $29,025 and is included in the child development function 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the First 5 Contra Costa Children and Families Commission's Contra Costa County Employees' Retirement Association (CCCERA) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CCCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015:

> Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g. prepaid expense) 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Commission reports deferred outflows related to pensions which are the result of the implementation of GASB 68.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resource (revenue) until that time. The Commission reports deferred inflows related to pensions which are a result of the implementation of GASB 68.

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, 2015. 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.

Effect of New 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 was implemented by the Commission as of July 1, 2014.

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 was effective July 1, 2014. The Commission has determined that this statement is not applicable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements (Continued)

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. This statement was implemented by the Commission as of July 1, 2014.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The Commission has not determined its effect on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The Commission has not determined its effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, statement 43, and statement No. 50, *Pension Disclosures*. The provisions in statement 74 are effective for fiscal years beginning after June 15, 2016. The Commission has not determined its effect on the financial statements.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. The Commission has not determined its effect on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Governmental Accounting Standards Board (GASB) Pronouncements (Continued)

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for reporting periods beginning after June 15, 2015. The Commission has not determined its effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is effective for reporting periods beginning after December 15, 2015. The Commission has not determined its effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2015:

Cash in Contra Costa County Pool	$ 30,098,540
Imprest cash	1,300
Total Cash and Investments	$ 30,099,840

Investment Policy

The Commission adopted a resolution in February 2001 delegating investment authority to the Contra Costa 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.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2015, the Commission had the following investments:

Investment	Fair Value	WAM Years
County Investment Pool	$ 30,098,540	0.59
Total Investments	$ 30,098,540	

Credit Risk

The following is a summary of the credit quality of the County Investment Pool at June 30, 2015:

Investment	S&P	Moody's	Amount
County Investment Pool	AAAf	Aa2	$ 30,098,540

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.

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 compensated absences liability for the 2014-2015 fiscal year are summarized as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amount Due within one year
Compensated Absences	$ 153,020	$ 156,586	$ 130,236	$ 179,370	$ 17,937

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, 2015, were as follows:

Due from State Commission:		
Prop 10 revenue for:		
May 2015	$	754,233
June 2015		615,256
Cares Plus - Phase 2		292,948
CA State Preschool Program		99,781
Total due from other governments	$	1,762,218

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, 2015.

NOTE 6 – CAPITAL ASSETS

Governmental activities:	June 30, 2014	Additions	Deletions	June 30, 2015
Capital assets, not being depreciated:				
Land	$ 245,430	$ -	$ -	$ 245,430
Total capital assets, not being depreciated	245,430	-	-	245,430
Capital assets, being depreciated:				
Buildings and improvements	666,935	12,565	-	679,500
Furniture and fixtures	125,011	7,160	-	132,171
Total capital assets, being depreciated	791,946	19,725	-	811,671
Less accumulated depreciation for:				
Buildings and improvements	(181,625)	(25,458)	-	(207,083)
Furniture and fixtures	(112,527)	(3,567)	-	(116,094)
Total accumulated depreciation	(294,152)	(29,025)	-	(323,177)
Governmental activities capital assets, net	$ 743,224	$ (9,300)	$ -	$ 733,924

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
2016	$ 12,360	$ 67,500	$ 8,800	$ 183,492	$ 272,152
2017	-	-	-	182,424	182,424
2018	-	-	-	186,852	186,852
2019	-	-	-	94,164	94,164
	$ 12,360	$ 67,500	$ 8,800	$ 646,932	$ 735,592

Rent expense was $311,657 for the year ended June 30, 2015.

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, 2015 consisted of the following:

Fund Balance:	**General Fund**
Nonspendable:	
Prepaid Expense	$ 94,238
Note Receivable - Perinatal	321,000
Restricted:	
Long Foundation Preschool Makes a Difference	92,560
Long Foundation Help Me Grow	625,470
Committed:	
Capital Asset Replacement	841,227
Assigned:	
Elimination of FY14/15 budget deficit	3,854,231
Operating Leases	735,592
Unassigned fund balance	24,242,125
Total Fund Balance	**$ 30,806,443**

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, 2015.

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.

The following table shows fiscal year 2014-2015 expenses with agencies represented by Commissioners and Alternate Commissioners:

Related Party	Fiscal Year 2014-15 Expenses
Contra Costa County	$ 515,311
Contra Costa Child Care Council	1,589,675
Total	$ 2,104,986

The Commission incurred expenses totaling $515,311 for County services provided during the year ended June 30, 2015. Of the total expenses paid to the County, $138,183 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 $377,128 of expenses, $147,336 was for the County's Behavioral Health Services, and $229,792 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, 2015
Contra Costa County	$ 131,261
Contra Costa Child Care Council	48,178
Total	$ 179,439

The Commission has accrued expenses totaling $131,261 for County services provided during the year ended June 30, 2015. Of the total payable amount, $9,560 is for administrative and general services as indicated above. Of the remaining $121,701, $103,039 is owed for the County's Mental Health Division, $28,222 is payable for Behavioral Health Services.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

The following table shows fiscal year 2014-2015 revenue with agencies represented by Commissioners and Alternate Commissioners:

Related Party		Fiscal Year 2014-15 Revenue
Contra Costa County		$ 84,241
	Total	$ 84,241

The Commission earned revenue totaling $84,241 from Contra Costa County during the year ended June 30, 2015. This revenue was solely for Health Services, which includes Public Health and Behavioral Health Services.

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, 2015, the Commission expended $856,310 for program evaluation.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description

Plan administration

The Contra Costa County Employees' Retirement Association (CCCERA) was established by the County of Contra Costa in 1945. CCCERA is governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by CCCERA's Board of Retirement. CCCERA is a cost-sharing multiple employer public employee retirement association whose main function is to provide service retirement, disability, death and survivor benefits to the General and Safety members employed by the County of Contra Costa. CCCERA also provides retirement benefits to the employee members for 16 other participating agencies which are members of CCCERA, including the First 5 Contra Costa Children and Families Commission. CCCERA issues a publicly available financial report that can be obtained at www.cccera.org.

The management of CCCERA is vested with the CCCERA Board of Retirement. The Board consists of twelve trustees. Of the twelve members, three are alternates. Four trustees are appointed by the County Board of Supervisors; four trustees (including the Safety alternate) are elected by CCCERA's active members; two trustees (including one alternate) are elected by the retired membership. Board members serve three-year terms, with the exception of the County Treasurer who is elected by the general public and serves during his tenure in office.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided

CCCERA provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Contra Costa or participating agencies become members of CCCERA effective on the first day of the first full pay period after employment. Part-time employees in permanent positions must work at least 20 hours a week in order to be a member of CCCERA. Commission employees are classified as General Tier 1 (Enhanced). New Commission employees who become a General Member on or after January 1, 2013 are designated as PEPRA General Tier 4 and are subject to the provisions of California Government Code 7522 et seq.

General members hired prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 70 regardless of service or at age 52, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier. General Tier 1 benefits are calculated pursuant to the provisions of Sections §31676.16. The monthly allowance is equal to 1/50th of final compensation multiplied by years of accrued retirement service credit multiplied by the age factor from §31676.16. General members with membership dates on or after January 1, 2013 (PEPRA General Tier 4) are calculated pursuant to the provisions found in California Government Code Section §7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section §7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no final compensation limit on the maximum retirement benefit for members with membership dates on or after January 1, 2013.

Final average compensation consists of the highest 12 consecutive months for General Tier 1, and the highest 36 consecutive months for PEPRA General Tier 4.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date or at least two years prior to the date of death and has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

CCCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose Area, is capped at 3.0% for General Tier 1 and PEPRA General Tier 4. The plan also provides a post retirement lump sum death benefit of $5,000 to the member's beneficiary (§31789.5) paid from the Post Retirement Death Benefit Reserve.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The County of Contra Costa and participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from CCCERA's actuary after the completion of the annual actuarial valuation. Members are required to make contributions to CCCERA regardless of the retirement plan or tier in which they are included.

The Plan's provisions and benefits in effect at June 30, 2015 are summarized as follows:

	General	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Formula	2.0% @ 55	2.5% @ 67
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	70 (1)	70 (2)
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.48%-15.29%	8.65% - 15.61%
Required employer contribution rates	34.32%	27.80%

(1) Or 50 with ten years of service credit

(2) Or 52 with five years of service credit

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by Contra Costa County Employees' Retirement Association. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contribution recognized, were as follows:

	General
Contributions - employer	$ 594,757
Contributions - employee	110,162

Plan's Collective Net Pension Liability

As of June 30, 2015, the Commission reported a liability of $1,683,167 for its proportionate share of the Plan's collective net pension liability.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Commission's net pension liability for the Plan is measured as the proportionate share of the total net pension liability. The net pension liability of the Plan is measured as of December 31, 2014 and 2013. Plan fiduciary net position was valued as of the measurement date while the total pension liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2013 and 2012, respectively. The Commission's proportion of the net pension liability is based on the Commission's actual 2014 pensionable compensation relative to the actual pensionable compensation of all participating employers. The Commission's proportionate share of the net pension liability of the plan as of June 30, 2013 and 2014 was as follows:

	General
Proportion - June 30, 2013	0.141%
Proportion - June 30, 2014	0.141%
Change in Proportion - Increase (Decrease)	0

Only for this initial transition year, the beginning of year NPL was allocated by using the same employer allocation percentage determined as of the end of the year.

For the year ended June 30, 2015, the Commission recognized pension expense of $266,486. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Commission contributions subsequent to measurement date	$ 302,583	$ -
Changes in proportion and differences between the Commission's contributions and proportionate share of contributions	85,435	-
Changes in assumptions		83
Net difference between projected and actual earnings on plan investments	-	15,044
Difference between expected and actual experience	-	202,271
Total	$ 388,018	$ 217,398

The $302,583 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2016	$ (36,238)
2017	(36,238)
2018	(36,238)
2019	(23,249)
Total	$ (131,963)

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2013
Measurement Date	December 31, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.25%
Payroll Growth	4.0%
Projected Salary Increase	4.75% - 13.5% (1)
Investment Rate of Return	7.25% (2)
Mortality	RP-2000 Combined Healthy Mortality Table (3)

(1) Includes inflation at 3.25% plus real across-the-board salary increase of 0.75% plus merit and longevity increases

(2) Net of pension plan investment expenses, including inflation

(3) Projected to 2030 with Scale AA, set back one year

The underlying mortality assumptions and all other actuarial assumption used in the December 31, 2013 valuation were based on the results of an experience study performed by an independent actuarial consulting firm for the period January 1, 2010 through December 31, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Commission's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined in 2013 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This return is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and risk margin. The target allocation (approved by the CCCERA board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	13.60%	6.09%
Small Cap U.S. Equity	5.80%	6.79%
Developed International Equity	17.60%	6.66%
Emerging Markets Equity	5.60%	8.02%
U.S. Core Fixed Income	16.10%	0.83%
International Bonds	3.30%	0.69%
High Yield Bonds	5.00%	3.32%
Inflation-Indexed Bonds	1.66%	0.73%
Long Duration Fixed Income	5.00%	1.45%
Real Estate	12.50%	4.83%
Commodities	1.67%	4.71%
Private Equity	10.00%	8.95%
Alternative Investment (Timber)	1.67%	4.20%
Cash & Equivalents	0.50%	0.25%
Total	100%	

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

The following presents the Commission's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Commission's Net Pension Liability	$ 3,665,953	$ 1,683,167	$ 37,745

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

The pension plan’s fiduciary net position has been determined on the same basis of accounting as the Commission. Detailed information about the pension plan's fiduciary net position is available in the separately issued CCCERA financial reports.

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.

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 2014-2015 the Commission funding was based on the "pay-go" basis. The Commission had one retiree receiving healthcare benefits during 2014-2015, and the "pay-go" cost was $13,919.

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.

NOTE 13 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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	$ 24,778
Interest on net OPEB obligation	(7,858)
Adjustment to annual required contribution	9,602
Annual OPEB cost (expense)	26,523
Contributions made	(24,778)
Decrease (increase) in net OPEB (asset) obligation	1,745
Net Post Employment Benefit (asset) obligation - beginning of year	(111,297)
Net Post Employment Benefit (asset) - end of year	$ (109,552)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2014-2015:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2015	$ 26,523	93%	(109,552)
6/30/2014	24,872	93%	(111,297)
6/30/2013	59,048	937%	(113,069)

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.

NOTE 13 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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 2014-15 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 6.5% in 2015 initially, reduced by 0.5% decrements to an ultimate rate of 5% after four 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, 2015, was 23 years.

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, 2015, 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.

NOTE 15 - RESTATEMENT

A prior period adjustment of $3,366,828 was made to decrease the governmental activities' beginning net position. The adjustment was made to record beginning net pension liability and deferred outflows of resources for contributions after the December 31, 2013 measurement date.

The restatement of beginning net position of the governmental activities is summarized as follows:

	June 30, 2014 Previously Presented	Restatement	July 1, 2014 Restated
Prepaid Pension Asset	$ 1,818,182	$ (1,818,182)	$ -
Net Pension liability	-	(2,071,332)	(2,071,332)
Deferred Outflows	-	522,686	522,686
Net Position	$ 36,295,182	$ (3,366,828)	$ 32,928,354

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Prop 10 Tobacco Tax	$ 8,154,941	$ 8,154,941	$ 8,194,261	$ 39,320
Prop 10 CARES Plus	300,000	300,000	303,249	3,249
California State Preschool Program	-	-	99,781	99,781
Race to the Top	737,664	737,664	663,871	(73,793)
Thomas J. Long Foundation	990,000	990,000	990,000	-
Thomas J. Long Foundation	-	-	640,000	640,000
Interest income	120,000	120,000	112,879	(7,121)
Other revenue	81,050	81,050	107,681	26,631
Total Revenues	10,383,655	10,383,655	11,111,722	728,067
EXPENDITURES				
Current:				
Program Expenditures:				
Early care and education	3,534,880	3,534,880	3,205,974	328,906
Family support	3,773,416	3,773,416	3,589,360	184,056
Early intervention	3,375,838	3,375,838	2,526,279	849,559
Community information and education	674,086	674,086	660,077	14,009
Salaries and employee benefits	2,161,501	2,161,501	1,892,908	268,593
Other program expenditures	231,607	231,607	189,039	42,568
Evaluation:				
Salaries and employee benefits	551,289	551,289	507,181	44,108
Other evaluation expenditures	366,533	366,533	349,129	17,404
Administrative:				
Salaries and employee benefits	914,633	914,633	834,922	79,711
Other administrative expenditures	428,354	428,354	306,183	122,171
Total Expenditures	16,012,137	16,012,137	14,061,052	1,951,085
Net Change in Fund Balance (BUDGETARY BASIS)	$ (5,628,482)	$ (5,628,482)	(2,949,330)	$ 2,679,152
Total Basis Adjustments, Capital Outlay			(19,725)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			(2,969,055)	
FUND BALANCE, BEGINNING OF YEAR			33,775,498	
FUND BALANCE, END OF YEAR			$ 30,806,443	

See accompanying note to required supplementary information.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

		2015
Proportion of the net pension liability		0.141%
Proportionate share of the net pension liability	$	1,683,167
Covered - employee payroll **	$	1,735,009
Proportionate Share of the net pension liability as a percentage of covered-employee payroll		97.01%
Plan fiduciary net position as a percentage of the total pension liability		85.25%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.
** This amount covers the period of January 1, 2014 through December 31, 2014.

See accompanying note to required supplementary information.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

		2015
Actuarially determined contributions	$	594,757
Contributions in relation to the actuarially determined contribution		594,757
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	1,852,141
Contributions as a percentage of covered-employee payroll		32.11%

* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

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, 2015

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.

NOTE 1 – SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Benefit Changes

All members with membership dates on or after January 1, 2103, enter the new tiers created by the California Public Employees Pension Reform Act of 2013 (PEPRA).

NOTE 2 – 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 accordance with generally accepted accounting principles based on estimates of revenues and anticipated expenditures. 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. The Commission does not establish a budget for capital outlay.

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, 2015

Program	Source	Revenue CCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
CARES PLUS	CCFC Program Funds	$ 303,249	$ 303,249	$ -	$ -	$ -
	County, Local Funds	917,973	917,973	-	-	-

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 (Commission), a component unit of the County of Contra Costa, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 1, 2015. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB 68*, effective July 1, 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.

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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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Sacramento, California
October 1, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the First 5 Contra Costa Children and Families Commission's (Commission), a component unit of the County of Contra Costa, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2015.

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 General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. 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. 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 Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefits Policies	2	Yes

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Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2015.

Purpose of 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 Controller's Office. Accordingly, this report is not suitable for any other purpose.

Sacramento, California
October 1, 2015