

**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, 2017

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission (Commission), a component unit of the County of Contra Costa, California, as of and for the year ended June 30, 2017, 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Opinion

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, 2017, 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.

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 8 and pages 34 through 38, 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 Commission funds for First 5 programs and activities (Schedule) is presented for the purpose of additional analysis and is 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 September 27, 2017, 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 describe 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.

Vavimek, Fine, Day & Co., LLP

Sacramento, California
September 27, 2017

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

This Management's Discussion and Analysis is intended to serve as a narrative overview of the financial activities of First 5 Contra Costa Children and Families Commission (Commission) for the year ended June 30, 2017. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 9).

FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

At the close of fiscal year 2016-2017, the Commission's assets plus deferred outflows exceeded its liabilities plus deferred inflows by \$25,357,010 (net position), a decrease of 8% from the previous year. Of this amount, \$667,983 was the net investment in capital assets and \$424,092 was restricted for the Thomas J. Long Foundation Help Me Grow grant. The remaining net position, \$24,264,935, was available to meet the Commission's ongoing obligations. The change in net position is due to the planned use of resources to keep program funding stable and in line with budget expectations.

Total Commission revenues for fiscal year 2016-2017, which included Contra Costa's Proposition 10 tobacco tax allocation, project-specific funding from First 5 California and the California Department of Education, other grants and interest, were \$10,482,971, a decrease of \$434,236 from the prior year's amount of \$10,917,207. Total expenses for fiscal year 2017 were \$12,611,500, a decrease of \$778,170 from prior year expenses of \$13,389,670.

Contra Costa's 2016-17 Proposition 10 tax revenue of \$8,064,566 decreased 4% from the previous year's total of \$8,416,552. Statewide, Proposition 10 income decreased \$18,873,788 due to the ongoing decrease in tobacco use, and the April 1st implementation of Prop 56, a new two dollar per pack tobacco tax.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Commission's 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

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

Government-Wide Financial Statements

The *government-wide financial statements* provide a broad overview of the Commission's activities as a whole, and are comprised of the *statement of net position* and the *statement of activities*. The *statement of net position* provides information about the financial position of the Commission on the full accrual basis, similar to that used in the private sector. It shows the Commission's assets, 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.

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 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 Commission's finances.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

The following is a summary of the Commission's Statement of Net Position comparing balances at June 30, 2017 and June 30, 2016.

	Governmental Activities		Change
	2017	2016	
<u>Assets:</u>			
Current and other assets	\$ 27,250,785	\$ 29,323,693	\$ (2,072,908)
Noncurrent assets	987,330	1,022,382	(35,052)
Total Assets	<u>28,238,115</u>	<u>30,346,075</u>	<u>(2,107,960)</u>
Deferred outflows of resources:	1,254,754	1,338,269	(83,515)
<u>Liabilities:</u>			
Current liabilities	1,318,460	1,319,654	(1,194)
Noncurrent liabilities	2,618,527	2,630,193	(11,666)
Total Liabilities	<u>3,936,987</u>	<u>3,949,847</u>	<u>(12,860)</u>
Deferred inflows of resources:	198,872	248,958	(50,086)
<u>Net Position:</u>			
Net investment in capital assets	667,983	700,953	(32,970)
Restricted	424,092	549,405	(125,313)
Unrestricted	24,264,935	26,235,181	(1,970,246)
Total Net Position	<u>\$ 25,357,010</u>	<u>\$ 27,485,539</u>	<u>\$ (2,128,529)</u>

The Commission's net position from governmental activities decreased from \$27,485,539 in 2016 to \$25,357,010 in 2017. The \$2,128,529 decrease in Net Position is primarily due to the budgeted use of net position to sustain consistent program funding.

Current and other assets decreased \$2,072,908 from the prior year 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 \$1,603,286 at June 30, 2017. These receivables are due from the State for the May and June 2017 Proposition 10 tax revenues (\$789,031), the First 5 California Improve and Maximize Programs so All Children Thrive (IMPACT) grant (\$378,170), California Quality Block Grant expenditures (\$424,716) and First 5 San Francisco for IMPACT regional training and technical assistance activities (\$11,369).

Noncurrent assets decreased a total of \$35,052. This change consisted of the depreciation on capital assets at \$32,970 and the amortization of the net OPEB asset of \$2,082.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

Current liabilities for the year ending June 30, 2017 decreased \$1,194 from the prior year due to decreased 4th quarter contract payments and accounts payable. Current liabilities include vendor accounts payable of \$50,680, 4th quarter contract payments of \$959,485 payable to service providers and related parties at June 30, 2016, accrued wages and benefits of \$266,670 and unearned income of \$20,000.

Noncurrent liabilities consist of the long term portion of accrued vacation in the amount of \$194,628 and the net pension liability of \$2,423,899, totaling \$2,618,527.

In 2017, the Commission reported deferred outflows of resource and deferred inflows of resources in the amounts of \$1,254,754 and \$198,872 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 2016-2017 with fiscal year 2015-2016:

	Governmental Activities		
	2017	2016	Change
<u>Program Revenues:</u>			
Prop 10 Tobacco Tax	\$ 8,064,566	\$ 8,416,552	\$ (351,986)
Grant income	1,909,915	2,210,465	(300,550)
Total Program Revenues	<u>9,974,481</u>	<u>10,627,017</u>	<u>(652,536)</u>
<u>General Revenues:</u>			
Interest income	270,792	176,640	94,152
Other revenue	237,698	113,550	124,148
Total Revenues	<u>10,482,971</u>	<u>10,917,207</u>	<u>(434,236)</u>
<u>Expenses:</u>			
Child development	<u>12,611,500</u>	<u>13,389,670</u>	<u>(778,170)</u>
Change in net position	(2,128,529)	(2,472,463)	343,934
Net position, beginning of year	27,485,539	29,958,002	(2,472,463)
Net position, end of year	<u>\$ 25,357,010</u>	<u>\$ 27,485,539</u>	<u>\$ (2,128,529)</u>

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

Proposition 10 tax revenues decreased by \$351,986 compared to fiscal year 2016. Grant income decreased by \$300,550 due to the federal Race to the Top and state CARES Plus early care and education grant programs ending in 2016.

The Commission's total 2017 expenses decreased \$778,170 (6%) from the prior year, due to the two early education grants ending, home visiting services being reduced by \$202,543, and completion of contracts funding services for shelters and teen parents. These reductions are aligned with the Commission's Strategic Plan as Prop 10 revenue declines. The Early Intervention Initiative, with Thomas J. Long grant funding, continued training early intervention providers, pediatricians and parents on developmental screenings. Grant funds also allowed for a new public awareness campaign promoting *Help Me Grow* early intervention and continuing the *Quality Matters* campaign to educate the public regarding rating systems for child care and preschool programs.

Financial Analysis of the Governmental Fund

The fluctuations in the Commission's General Fund revenues and expenditures from the year ended June 30, 2016 to June 30, 2017 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 \$2,068,406 as a result of the Commission's planned use of resources to keep program funding stable.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues came in \$11,961 less than the budgeted amount (.1%), and expenditures were under budget by \$2,289,987 or 15%. While grant revenues were less than budgeted, Prop 10 and interest revenue was higher than anticipated. Total expenditures were less than budgeted due to under-spending and savings in all areas of the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Commission's capital assets consist of land, buildings and improvements, and furniture and fixtures. The change in capital assets over the current year is entirely attributable to \$32,970 in accumulated depreciation.

Debt Administration

The Commission's long-term obligations are its net pension liability and the long term portion of compensated absences at June 30, 2017. The liability decreased \$8,358 from the previous year, consisting of a \$41,442 decrease of the net pension liability and a \$33,084 increase in compensated absences.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

California Proposition 10 tobacco tax revenues decreased in fiscal year 2017 as tobacco sales continued its downward trajectory. Additionally, Proposition 56, a \$2 tax per pack of cigarettes, went into effect in April 2017. Proposition 10 income will continue to drop in fiscal year 2018 but will rebound in fiscal year 2019 as the mandated backfill written into Proposition 56 takes effect to replace lost Proposition 10 income. It is anticipated that revenue will then continue to decline 3-4% each year thereafter as tobacco consumption declines in California.

The Commission ended the second year of the approved 2016-2020 strategic plan, which entails using reserves to sustain program funding levels.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

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

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 25,457,289
Accounts receivable	57,703
Due from other governments	1,603,286
Prepaid expense	132,507
Total Current Assets	<u>27,250,785</u>
Noncurrent Assets:	
Note receivable	214,000
Capital assets, net of accumulated depreciation	667,983
Net OPEB asset	105,347
Total Noncurrent Assets	<u>987,330</u>
TOTAL ASSETS	<u>28,238,115</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>1,254,754</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	50,680
Grants and contracts payable	917,697
Grants and contracts payable to related parties	41,788
Accrued wages and benefits	266,670
Unearned grant revenue	20,000
Compensated absences	21,625
Total Current Liabilities	<u>1,318,460</u>
Noncurrent Liabilities:	
Compensated absences	194,628
Net pension liability	2,423,899
Total Noncurrent Liabilities	<u>2,618,527</u>
TOTAL LIABILITIES	<u>3,936,987</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>198,872</u>
NET POSITION	
Net investment in capital assets	667,983
Restricted for:	
Thomas J. Long Foundation, Help Me Grow	424,092
Unrestricted	24,264,935
TOTAL NET POSITION	<u>\$ 25,357,010</u>

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Child development	\$ 12,611,500	\$ 9,974,481	\$ (2,637,019)
General Revenues:			
Investment income			270,792
Miscellaneous			237,698
Total General Revenues			508,490
Change in Net Position			(2,128,529)
Net Position, July 1			27,485,539
Net Position, June 30			\$ 25,357,010

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2017**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 25,457,289
Accounts receivable	57,703
Due from other governments	1,603,286
Prepaid expense	132,507
Note receivable	214,000
Total Assets	\$ 27,464,785
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 50,680
Grants and contracts payable	917,697
Grants and contracts payable to related parties	41,788
Accrued wages and benefits	266,670
Unearned grant revenue	20,000
Total Liabilities	1,296,835
 FUND BALANCES	
Nonspendable	346,507
Restricted	424,092
Committed	841,227
Assigned	5,004,362
Unassigned	19,551,762
Total Fund Balances	26,167,950
Total Liabilities and Fund Balances	\$ 27,464,785

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, 2017**

Fund balances of governmental funds	\$	26,167,950
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.		667,983
Deferred outflows of resources related to pensions		1,254,754
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.		105,347
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability		(2,423,899)
Compensated absences		(216,253)
Deferred inflows of resources related to pensions		<u>(198,872)</u>
Net Position of governmental activities	\$	<u><u>25,357,010</u></u>

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund
REVENUES	
Prop 10 Tobacco Tax	\$ 8,064,566
Grant income	1,909,915
Interest income	270,792
Other revenue	237,698
Total Revenues	10,482,971
EXPENDITURES	
Current:	
Program Expenditures:	
Early care and education	1,747,560
Family support	3,470,048
Early intervention	2,153,659
Community information and education	552,331
Salaries and employee benefits	2,414,918
Other program expenditures	220,363
Evaluation:	
Salaries and employee benefits	374,492
Other evaluation expenditures	450,717
Administrative:	
Salaries and employee benefits	899,252
Other administrative expenditures	268,037
Total Expenditures	12,551,377
NET CHANGE IN FUND BALANCE	(2,068,406)
FUND BALANCE, July 1	28,236,356
FUND BALANCE, June 30	\$ 26,167,950

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, 2017**

Net changes in fund balance - total governmental funds \$ (2,068,406)

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 are capitalized and allocated over their estimated useful lives as depreciation expense.

Depreciation expense (32,970)

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. (33,084)

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. (2,082)

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. The following amounts reflect changes in the pension related balances:

Change in deferred outflows related to pensions (83,515)
Change in deferred inflows related to pensions 50,086
Change in net pension liability 41,442

Change in net position of governmental activities \$ (2,128,529)

See accompanying notes to the basic financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

First 5 Contra Costa Children and Families Commission (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 \$424,092 at June 30 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.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017 amounted to \$32,970 and is included in the child development function in the statement of activities.

Compensated Absences

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

Grants and Contracts Payable

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

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Fund balance is classified based 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, 2017:

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.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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.

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 resources (revenue) until that time. The Commission reports deferred inflows related to pensions.

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, 2017. 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 Commission 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. 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 determined that the requirements of this statement effective in the current year do not have a material impact 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 determined that the requirements of this statement effective in the current year do not have a material impact on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for reporting periods beginning after December 15, 2015. The Commission has determined that the requirements of this statement effective in the current year do not have a material impact on the financial statements.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement is effective for reporting periods beginning after June 15, 2016. The Commission has determined that the requirements of this statement effective in the current year do not have a material impact on the financial statements.

Future Governmental Accounting Standards Board (GASB) Pronouncements

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.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. The Commission has not determined the effect of this Statement.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. The Commission has not determined the effect of this Statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. The Commission has not determined the effect of this Statement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. The Commission has not determined the effect of this Statement.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. The Commission has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. The Commission has not determined the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2017:

Cash in Contra Costa County Pool	\$ 25,455,989
Imprest cash	1,300
Total Cash and Investments	\$ 25,457,289

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.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

As of June 30, 2017, the Commission had the following investments:

Investment	Fair Value	WAM Years
County Investment Pool	\$ 25,455,989	0.56
Total Investments	<u>\$ 25,455,989</u>	

Credit Risk

The following is a summary of the credit quality of the County Investment Pool at June 30, 2017:

Investment	S&P	Moody's	Amount
County Investment Pool	AAAf	Aa2	\$ 25,455,989

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. The Commission is not exposed to custodial credit risk as it does not hold any individual securities.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Commission's funds were invested in the Contra Costa County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgement and consideration factors specific to each asset or liability.

Deposits and withdrawals are made on the basis of \$1 and not fair value, accordingly, the Commission's proportionate share of investments in the Contra Costa County Investment Pool at June 30, 2017 of \$25,455,989 is an uncategorized input, not defined as a level 1, level 2 or level 3 input.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – COMPENSATED ABSENCES

Changes in the compensated absences liability for the 2016-2017 fiscal year are summarized as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amount Due within one year
Compensated Absences	\$ 183,169	\$ 179,136	\$ 146,052	\$ 216,253	\$ 21,625

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, 2017, were as follows:

Due from State Commission:

Prop 10 revenue for:

May 2017	\$ 286,090
June 2017	502,941
First 5 CA IMPACT	378,170
CA State Preschool Program	132,891
CA Infant Toddler Block Grant	291,825
First 5 San Francisco - HUB T&TA	11,369
Total due from other governments	\$ 1,603,286

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 \$214,000 as of June 30, 2017.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 – CAPITAL ASSETS

Governmental activities:	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 245,430	\$ -	\$ -	\$ 245,430
Total capital assets, not being depreciated	<u>245,430</u>	<u>-</u>	<u>-</u>	<u>245,430</u>
Capital assets, being depreciated:				
Buildings and improvements	679,500	-	-	679,500
Furniture and fixtures	132,171	-	-	132,171
Total capital assets, being depreciated	<u>811,671</u>	<u>-</u>	<u>-</u>	<u>811,671</u>
Less accumulated depreciation for:				
Buildings and improvements	(235,054)	(27,971)	-	(263,025)
Furniture and fixtures	(121,094)	(4,999)	-	(126,093)
Total accumulated depreciation	<u>(356,148)</u>	<u>(32,970)</u>	<u>-</u>	<u>(389,118)</u>
Governmental activities capital assets, net	<u>\$ 700,953</u>	<u>\$ (32,970)</u>	<u>\$ -</u>	<u>\$ 667,983</u>

NOTE 7 – COMMITMENTS

The Commission leases office space from third parties under long-term operating leases for the local First 5 centers and the administration office. All of the Commission's leases are non-cancellable leases except the First 5 Contra Costa office lease which can be terminated after June 30, 2017, 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,	Delta First 5 Center	Bay Point First 5 Center	First 5 Contra Costa Office	Total
2018	\$ 67,500	\$ 9,200	\$ 192,114	\$ 268,814
2019	67,500	-	97,164	164,664
	<u>\$ 135,000</u>	<u>\$ 9,200</u>	<u>\$ 289,278</u>	<u>\$ 433,478</u>

Rent expense was \$331,616 for the year ended June 30, 2017.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017 consisted of the following:

Fund Balance:	<u>General Fund</u>
Nonspendable:	
Prepaid Expense	\$ 132,507
Note Receivable - Perinatal	214,000
Restricted:	
Thomas J. Long Foundation Help Me Grow	424,092
Committed:	
Capital Asset Replacement	841,227
Assigned:	
Elimination of FY17/18 budget deficit	4,570,884
Operating Leases	433,478
Unassigned	19,551,762
Total Fund Balance	<u><u>\$ 26,167,950</u></u>

The Commission Board approved a contingency fund of \$7,500,000 which is classified as part of the unassigned fund balance as of June 30, 2017.

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. Some of the programs funded by the Commission are operated by organizations represented by Commissioners and Alternate Commissioners. Commissioners and Alternate Commissioners must abstain from voting on issues and participating in discussions directly related to their respective organizations.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

The following table shows fiscal year 2016-2017 expenses with agencies represented by Commissioners and Alternate Commissioners:

Related Party	Fiscal Year 2016-17 Expenses
Contra Costa Child Care Council	\$ 492,848

The Commission incurred expenses totaling \$65,127 for County services provided during the year ended June 30, 2017 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.

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

Related Party	Balances Due June 30, 2017
Contra Costa Child Care Council	\$ 41,788

The following table shows fiscal year 2016-2017 revenue with agencies represented by Commissioners and Alternate Commissioners:

Related Party	Fiscal Year 2016-17 Revenue
Contra Costa County	\$ 77,250

The Commission earned revenue totaling \$77,250 from Contra Costa County during the year ended June 30, 2017. 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, 2017, the Commission expended \$825,209 for program evaluation.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

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.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided (Continued)

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.

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, 2017 are summarized as follows:

	General	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
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	8.35% - 14.37%	10.01% - 10.94%
Required employer contribution rates	28.43%	23.57%

(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 are 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.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided (Continued)

For the year ended June 30, 2017, contributions to the plan were as follows:

	<u>General</u>
Contributions - employer	\$ 636,711

Plan's Collective Net Pension Liability

As of June 30, 2017, the Commission reported a liability of \$2,423,899 for its proportionate share of the Plan's collective net pension liability.

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, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward using standard update procedures. The Commission's proportion of the net pension liability is based on the Commission's actual 2016 compensation relative to the actual compensation of all participating employers. The Commission's proportionate share of the net pension liability, measured at December 31, 2015 and 2016 was as follows:

	<u>General</u>
Proportion - June 30, 2015	0.164%
Proportion - June 30, 2016	0.173%
Change in Proportion - Increase (Decrease)	<u>0.009%</u>

For the year ended June 30, 2017, the Commission recognized pension expense of \$600,678. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Commission contributions subsequent to measurement date	\$ 351,284	\$ -
Changes in proportion and differences between the Commission's contributions and proportionate share of contributions	405,445	-
Changes in assumptions or other inputs	70,139	46
Net difference between projected and actual earnings on plan investments	427,886	-
Difference between expected and actual experience	-	198,826
Total	<u>\$ 1,254,754</u>	<u>\$ 198,872</u>

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan's Collective Net Pension Liability (Continued)

The \$351,284 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, 2017. 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	
2018	\$ 220,389
2019	238,732
2020	227,924
2021	17,553
Total	\$ 704,598

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2015
Measurement Date	December 31, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Growth	3.25% (1)
Projected Salary Increase	4.75% - 13.75%
Investment Rate of Return	7.00% (2)
Mortality	RP-2014 Healthy Annuitant Mortality Table (3)

(1) Inflation of 2.75% per year plus "across the board" real salary increases of 0.5% per year

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

(3) Projected generationally with the two-dimensional MP-2015 projection scale

The underlying mortality assumptions and all other actuarial assumption used in the December 31, 2015 valuation were based on the results of an experience study for the period January 1, 2012 through December 31, 2014.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% 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 the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of December 31, 2016.

The long-term expected rate of return on pension plan investments was determined 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. These returns are 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 a risk margin. The target allocation 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 assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	6.00%	5.75%
Developed International Equity	10.00%	6.99%
Emerging Markets Equity	14.00%	8.95%
Short-Term Govt/Credit	24.00%	0.20%
U.S. Treasury	2.00%	0.30%
Real Estate	7.00%	4.45%
Cash & Equivalents	1.00%	-0.46%
Risk Diversifying Strategies	2.00%	4.30%
Private Credit	17.00%	6.30%
Private Equity	17.00%	8.10%
Total	100%	

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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	6.00%	7.00%	8.00%
Commission's Net Pension Liability	\$ 4,914,427	\$ 2,423,899	\$ 394,841

Pension Plan Fiduciary Net Position

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. The Commission currently prefunds for its retiree health benefits using the California Employers' Retiree Benefit Trust. For fiscal year 2017 the Commission contributed \$38,006 to the plan.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 13 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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

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

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

Annual required contribution	\$ 38,006
Interest on net OPEB obligation	(7,230)
Adjustment to annual required contribution	9,312
Annual OPEB cost (expense)	40,088
Contributions made	(38,006)
Decrease (increase) in net OPEB (asset) obligation	2,082
Net Post Employment Benefit (asset) obligation - beginning of year	(107,429)
Net Post Employment Benefit (asset) - end of year	\$ (105,347)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) for fiscal year 2016-2017:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2017	\$ 40,088	95%	\$ (105,347)
6/30/2016	38,123	94%	(107,429)
6/30/2015	26,523	93%	(109,552)

Funded Status and Funding Progress. As of June 30, 2015, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$732,727. As of June 30, 2015, the Plan Assets were \$661,218, resulting in a Unfunded Actuarial Accrued Liability (Asset) (UAAL) of \$71,509. The covered payroll was \$1,161,000, and the ratio of the UAAL to covered payroll was 6.16%.

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 13 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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

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

In the June 30, 2015 actuarial valuation, the valuation used to determine the FY 2015-16 ARC, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.73% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the investments of the pension trust and an annual healthcare cost trend rate of 6.5% in 2016 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, 2017, 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, 2017, the Commission had no settlements exceeding insurance coverage for these categories of risk. For the past two years, settlements or judgment amounts have not exceeded insurance provided for the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Prop 10 Tobacco Tax	\$ 7,514,955	\$ 7,514,955	\$ 8,064,566	\$ 549,611
First 5 California IMPACT	733,569	733,569	582,536	(151,033)
California State Preschool QRIS Block Grant	366,631	366,631	360,104	(6,527)
Infant Toddler QRIS	381,527	381,527	369,775	(11,752)
Thomas J. Long Foundation	1,290,000	1,290,000	597,500	(692,500)
Interest income	115,000	115,000	270,792	155,792
Other revenue	93,250	93,250	237,698	144,448
Total Revenues	<u>10,494,932</u>	<u>10,494,932</u>	<u>10,482,971</u>	<u>(11,961)</u>
EXPENDITURES				
Current:				
Program Expenditures:				
Early care and education	2,004,200	2,004,200	1,747,560	256,640
Family support	3,608,933	3,608,933	3,470,048	138,885
Early intervention	2,951,576	2,951,576	2,153,659	797,917
Community information and education	825,907	825,907	552,331	273,576
Salaries and employee benefits	2,644,360	2,644,360	2,414,918	229,442
Other program expenditures	396,270	396,270	220,363	175,907
Evaluation:				
Salaries and employee benefits	547,488	547,488	374,492	172,996
Other evaluation expenditures	555,395	555,395	450,717	104,678
Administrative:				
Salaries and employee benefits	921,780	921,780	899,252	22,528
Other administrative expenditures	385,455	385,455	268,037	117,418
Total Expenditures	<u>14,841,364</u>	<u>14,841,364</u>	<u>12,551,377</u>	<u>2,289,987</u>
Net Change in Fund Balance	<u>\$ (4,346,432)</u>	<u>\$ (4,346,432)</u>	<u>(2,068,406)</u>	<u>\$ (2,278,026)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>28,236,356</u>	
FUND BALANCE, END OF YEAR			<u>\$ 26,167,950</u>	

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*
JUNE 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the net pension liability	0.141%	0.164%	0.173%
Proportionate share of the net pension liability	\$ 1,683,167	\$ 2,465,341	\$ 2,423,899
Covered payroll	\$ 1,735,009	\$ 1,962,961	\$ 2,140,380
Proportionate Share of the net pension liability as a percentage of covered payroll	97.01%	125.59%	113.25%
Plan fiduciary net position as a percentage of the total pension liability	85.25%	82.24%	84.16%
Measurement Date	December 31, 2014	December 31, 2015	December 31, 2016

* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

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, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 594,757	\$ 604,348	\$ 636,711
Contributions in relation to the actuarially determined contribution	594,757	604,348	636,711
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,852,141	\$ 2,025,525	\$ 2,204,354
Contributions as a percentage of covered payroll	32.11%	29.84%	28.88%

* - Fiscal year 2015 was the first year of implementation, therefore, only three years are 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, 2017**

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, 2015	\$ 661,218	\$ 732,727	\$ 71,509	90%	\$ 1,161,000	6.16%
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%

See accompanying note to required supplementary information.

FIRST 5 CONTRA COSTA CHILDREN AND FAMILIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 – BUDGET

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 Commission 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.

SUPPLEMENTARY 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, 2017**

Program	Source	Revenue CCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	CCFC Program Funds *	\$ 582,536	\$ 582,536	\$ -	\$ -	\$ -
	County, Local Funds	829,039	829,039	-	-	-

* Includes \$11,369 HUB funding received from First 5 San Francisco.

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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 27, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Vavimek, Sine, Day & Co., LLP

Sacramento, California
September 27, 2017



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, 2017.

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:

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

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, 2017.

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.

Vavimek, Sine, Day & Co., LLP

Sacramento, California
September 27, 2017