



Financial Statements

For the Year Ended June 30, 2020

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa)

First 5 Contra Costa Children and Families Commission

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Independent Auditor's 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, 2020, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2020, 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 States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules as listed in the table of contents 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

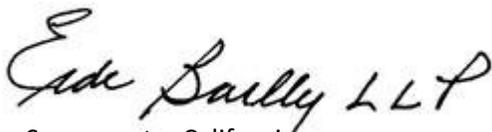
Other Information

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 November 6, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and 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.



Sacramento, California

November 6, 2020

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, 2020. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 9).

Fiscal 2020 Financial Highlights

Financial highlights of the year include the following:

At the close of fiscal year 2019-2020, the Commission's assets plus deferred outflows exceeded its liabilities plus deferred inflows by \$20,665,723 (net position), a decrease of 2% from the previous year. Of this amount, \$4,117,262 was the net investment in capital assets and \$361,763 was restricted for the Dean and Margaret Leshar Foundation – ReadyKids Grant. The remaining net position, \$16,186,698 is available to meet the Commission's ongoing obligations. The change in net position is due to the planned use of resources for the remodeling of the East County First 5 Center located in Pittsburg, California purchased for use as a family resource center and the budgeted use of net position to sustain consistent program funding.

Total Commission revenues for fiscal year 2019-2020 equaled \$11,462,064, an increase of \$776,352 from the prior year. The revenue consisted of Contra Costa's Propositions 10 and 56 tax allocations, project-specific funding from First 5 California and the California Department of Education, other foundation grants, and interest income.

Contra Costa's 2019-20 Proposition 10 tax revenue of \$6,259,636 decreased 9% from the previous year's total of \$6,883,812. Statewide, Prop 10 income decreased \$30,118,042.63 due to the ongoing decrease in tobacco use and Prop 56, the two dollar per pack tobacco tax. When Proposition 56 passed, it included an annual backfill to Prop 10 to make up for the anticipated loss of cigarette tax revenue. First 5 Contra Costa received a Prop 56 backfill payment in FY 2019-20 of \$1,884,302.

Total expenses for fiscal year 2020 were \$11,943,318, a decrease of \$782,848 from the previous year. The Commission invested an additional \$72,315 in the renovation, fixtures and furniture for the new East County First 5 Center located in Pittsburg, California.

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

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 Finance Statement

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

June 30, 2020

The following is a summary of the Commission's Statement of Net Position comparing balances at June 30, 2020 and June 30, 2019.

	Governmental Activities		Change
	2020	2019	
Assets			
Current and other assets	\$ 19,135,300	\$ 20,069,636	\$ (934,336)
Capital assets, net of depreciation	4,117,262	4,185,669	(68,407)
Total Assets	23,252,562	24,255,305	(1,002,743)
Deferred outflows of resources	931,115	1,873,173	(942,058)
Liabilities			
Current liabilities	940,406	1,384,929	(444,523)
Noncurrent liabilities	1,763,737	3,376,037	(1,612,300)
Total Liabilities	2,704,143	4,760,966	(2,056,823)
Deferred inflows of resources	813,811	220,535	593,276
Net Position			
Invested in Capital Assets	4,117,262	4,185,669	(68,407)
Restricted for:			
Thomas J. Long Foundation	-	554,742	(192,979)
Dean & Margaret Leshner Foundation	361,763	-	
Unrestricted	16,186,698	16,406,566	(219,868)
Total Net Position	\$ 20,665,723	\$ 21,146,977	\$ (481,254)

The Commission's net position from governmental activities decreased from \$21,146,977 in 2019 to \$20,665,723 in 2020. The \$481,254 decrease in Net Position was due to the budgeted use of net position to sustain consistent program funding.

The most significant portion of the Commission's current assets is its cash balances. Current and other assets decreased \$1,002,743 from the prior year due to the use of cash for operations in the current period, and the construction and improvements of the East County First 5 Center in Pittsburg. 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 \$2,133,669 at June 30, 2020. These receivables are due from the State for the May and June 2020 Proposition 10 tax revenues (\$969,247), the First 5 California Improve and Maximize Programs so All Children Thrive (IMPACT) grant (\$907,605), California Quality Block Grant expenditures (\$69,379), California State Preschool Program grant (\$134,799), First 5 San Francisco for IMPACT regional training and technical assistance activities (\$27,202), and the First 5 California Dual Language Learners (DLL) Grant (\$25,437).

First 5 Contra Costa Children and Families Commission

Management's Discussion and Analysis

June 30, 2020

Noncurrent assets decreased a total of \$68,407. This change consisted of the building construction and renovation costs of \$72,315 less capital asset depreciation of \$140,722.

Current liabilities for the year ending June 30, 2020 decreased \$444,523 from the prior year due to increased 4th quarter contract payments and accounts payable. Current liabilities include vendor accounts payable of \$137,262, 4th quarter contract payments of \$563,063 payable to service providers and related parties at June 30, 2020, and accrued wages and benefits of \$241,867.

Noncurrent liabilities consist of the long-term portion of accrued vacation in the amount of \$226,927, the net OPEB liability of \$56,794 and the net pension liability of \$1,480,016 totaling \$1,763,737.

In 2020, the Commission reported deferred outflows of resource and deferred inflows of resources in the amounts of \$931,115 and \$813,811 respectively. The deferred outflows (inflows) of resources represent amounts that will increase (decrease) pension and OPEB expenses in subsequent periods.

The following is a summary of the Commission's revenue, expense and change in net position comparing fiscal year 2019-2020 with fiscal year 2018-2019:

	Governmental Activities		
	2020	2019	Change
Program Revenues			
Prop 10 Tax	\$ 6,259,636	\$ 6,883,812	\$ (624,176)
Property 56	1,884,302	751,042	1,133,260
Grant income	2,713,115	2,354,327	358,788
Total Program Revenues	10,857,053	9,989,181	867,872
General Revenues			
Interest income	319,315	561,581	(242,266)
Other revenue	285,696	134,950	150,746
Total Revenues	11,462,064	10,685,712	776,352
Expenses			
Child development	11,943,318	12,726,166	(782,848)
Change in net position	(481,254)	(2,040,454)	1,559,200
Net position, beginning of year	21,146,977	23,187,431	(2,040,454)
Net position, end of year	\$ 20,665,723	\$ 21,146,977	\$ (481,254)

Proposition 10 tax revenues decreased \$624,176 compared to the prior year due to falling cigarette sales. The Prop 10 decrease was offset by the \$1,133,260 increase in Prop 56 revenue. Grant income increased by \$358,788 that included First 5 receiving the second payment of a five-year grant from the Dean & Margaret Leshner Foundation for the Ready Kids East County Initiative. The Community Engagement program continued receiving grant support from local foundations.

The Commission's total expenses decreased \$776,352 (7%) from the prior year. Expenses aligned with the Commission's 2016-2020 Strategic Plan as Prop 10 revenue declined. The Early Intervention Initiative, with Dean & Margaret Leshner Foundation grant funding, continued training early intervention providers, pediatricians and parents on developmental screenings. Foundation grant funds allowed the Community Engagement program, with support from families and local governments, to initiate park improvements throughout the County. The Early Care and Education program continued providing training for preschool providers and site assessments at childcare locations.

Financial Analysis of the Governmental Fund

The fluctuations in the Commission's General Fund revenues and expenditures from the year ended June 30, 2020 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 \$488,102 due to the East County First 5 Center building renovation and the Commission's planned use of resources to keep program-funding stable.

General Fund Budgetary Highlights

Revenues came in \$1,539,572 above the budgeted amount (16%). Expenditures were under budget by \$2,641,724 (18%). Grant and interest revenues were higher than budgeted, offsetting the Prop 10 and Prop 56 revenues, which came in lower than anticipated. Total expenditures were less than budgeted due to under-spending in program areas due to staff vacancies and the COVID-19 pandemic.

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 attributable to the First 5 Center building construction and renovations equaling \$72,315 and \$140,722 in accumulated depreciation.

Long Term Obligations

The Commission's long-term obligations are the net pension liability, the OPEB liability and the long-term portion of compensated absences at year-end. These liabilities decreased \$1,612,300 from the previous year, consisting of a \$1,401,743 decrease of the net pension liability, a \$17,108 increase in compensated absences, and a \$225,954 decrease in the net OPEB liability.

Economic Outlook and Major Initiatives

California Proposition 10 tobacco tax revenues decreased in FY2020 as tobacco sales continued its downward trajectory. Prop 10 income will continue to drop in FY2021 but will be offset by Prop 56 backfill. It is anticipated that revenue will then continue to decline each year thereafter as tobacco consumption declines in California.

The Commission concluded activities approved in the 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, 2020

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 15,942,602
Accounts receivable	635,016
Due from other governments	2,133,669
Grants Receivable	74,135
Prepaid expense	135,878
Total Current Assets	18,921,300
Noncurrent Assets	
Note receivable	214,000
Capital assets, net of accumulated depreciation	4,117,262
Total Noncurrent Assets	4,331,262
Total Assets	23,252,562
Deferred outflows of resources	
Deferred outflows related to pensions	854,475
Deferred outflows related to OPEB	76,640
Total Deferred Outflows of Resources	931,115
Liabilities	
Current Liabilities	
Accounts payable	137,262
Grants and contracts payable	493,400
Grants and contracts payable to related parties	42,663
Accrued wages and benefits	241,867
Compensated absences	25,214
Total Current Liabilities	940,406
Noncurrent Liabilities	
Compensated absences	226,927
Net OPEB liability	56,794
Net pension liability	1,480,016
Total Noncurrent Liabilities	1,763,737
Total Liabilities	2,704,143
Deferred inflows of resources	
Deferred inflows related to pensions	631,244
Deferred inflows related to OPEB	182,567
Total Deferred Inflows of Resources	813,811
Net position	
Investment in capital assets	4,117,262
Restricted for	
Dean & Margaret Leshner Foundation - ReadyKids	361,763
Unrestricted	16,186,698
Total Net Position	\$ 20,665,723

First 5 Contra Costa Children and Families Commission

Statement of Activities

For the Year Ended June 30, 2020

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Operating Grants And Contributions	Governmental Activities
Child development	\$ 11,943,318	\$ 10,857,053	\$ (1,086,265)
General Revenues			
			319,315
			285,696
			605,011
			(481,254)
			21,146,977
			\$ 20,665,723

First 5 Contra Costa Children and Families Commission

Governmental Fund Balance Sheet

June 30, 2020

	<u>General Fund</u>
Assets	
Cash and investments	\$ 15,942,602
Accounts receivable	635,016
Due from other governments	2,133,669
Grants Receivable	74,135
Prepaid expense	135,878
Note receivable	214,000
	<u> </u>
Total Assets	<u>\$ 19,135,300</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 137,262
Grants and contracts payable	493,400
Grants and contracts payable to related parties	42,663
Accrued wages and benefits	241,867
	<u> </u>
Total Liabilities	<u>915,192</u>
Fund Balances	
Nonspendable	349,878
Restricted	361,763
Committed	841,227
Assigned	4,077,160
Unassigned	12,590,080
	<u> </u>
Total Fund Balances	<u>18,220,108</u>
	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 19,135,300</u>

First 5 Contra Costa Children and Families Commission
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2020

Fund balance of governmental fund	\$ 18,220,108
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,117,262
Deferred outflows of resources related to pensions	854,475
Deferred outflows of resources related to OPEB	76,640
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(1,480,016)
Net OPEB liability	(56,794)
Compensated absences	(252,141)
Deferred inflows of resources related to pensions	(631,244)
Deferred inflows of resources related to OPEB	(182,567)
Net Position of Governmental Activities	\$ 20,665,723

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, 2020

	General Fund
Revenues	
Prop 10 Tobacco Tax	\$ 6,259,636
Prop 56 Tobacco Revenue	1,884,302
Grant income	2,713,115
Interest income	319,315
Other revenue	285,696
Total Revenues	11,462,064
Expenditures	
Current	
Program Expenditures:	
Early care and education	2,030,451
Family support	2,992,941
Early intervention	1,746,287
Community information and education	243,413
Salaries and employee benefits	2,836,304
Other program expenditures	228,547
Strategic Information & Planning:	
Salaries and employee benefits	152,313
Other evaluation expenditures	237,170
Administrative:	
Salaries and employee benefits	1,012,564
Other administrative expenditures	397,861
Capital outlay	72,315
Total Expenditures	11,950,166
Net change in fund balance	(488,102)
Fund balance, July 1	18,708,210
Fund balance, June 30	\$ 18,220,108

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, 2020

Net change in fund balance - total governmental fund \$ (488,102)

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 over their estimated useful lives as depreciation expense.

Capital outlays	72,315
Depreciation expense	(140,722)

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. (17,108)

Governmental funds report OPEB plan contributions as expenditures. However, in the Statement of Activities, OPEB expense is measured as the change in net OPEB liability and the amortization of deferred outflows and inflows related to OPEB. The following amounts reflect changes in the OPEB related balances.

Change in deferred outflows related to OPEB	41,196
Change in deferred inflows related to OPEB	(182,414)
Change in net OPEB liability	225,954

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	(983,254)
Change in deferred inflows related to pensions	(410,862)
Change in net pension liability	1,401,743

Change in net position of governmental activities \$ (481,254)

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:

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 \$361,763 at June 30 was restricted for the Dean & Margaret Leshner Foundation.

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

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.

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.

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the First 5 Contra Costa Retiree Benefits Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

Cash

The Commission maintains all of its cash in the Contra Costa Treasury. The County's investment pool operates in accordance with appropriate state laws and regulations. The method used to determine the value of the participant's equity withdrawn is based on the book value, amortized cost plus accrued interest, multiplied by the Commission's percentage at the date of such withdrawal, which approximates fair value.

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant to other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission does not have any investments that are measured using Level 3 inputs. Money market investments that have remaining maturity at the time of purchase of one-year or less and guaranteed investment contracts are measured at amortized cost.

The Commission is a participant in the Contra Costa Treasurer's Pool (County Pool). The County Pool was rated by Standard & Poor's (S&P) on December 13, 2017. The County Pool was assigned a fund credit quality rating of "AAAF" and a fund volatility rating of "S1"+. The Contra Costa County Treasury Oversight Committee conducts County Pool oversight. Cash on deposit in the County Pool at June 30, 2020, is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the County Pool, refer to the County of Contra Costa Annual Financial Report.

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, 2020:

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports 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 and OPEB.

In addition to liabilities, the statement of net position also reports 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 and OPEB.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 95— In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncement section have been updated to reflect the postponed effective dates.

Future Governmental Accounting Standards Board (GASB) Pronouncements

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, 2019. The Commission has not determined the effect on the financial statements.

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 June 15, 2021. The Commission has not determined the effect on the financial statements.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2020. The Commission has not determined the effect on the financial statements.

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2019. The Commission has not determined the effect on the financial statements.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021. The Commission has not determined the effect on the financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The Commission has not determined the effect on the financial statements.

GASB Statement No. 93– In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The Statement is effective for reporting periods beginning after June 15, 2021. The Commission has not determined the effect on the financial statements.

GASB Statement No. 94– In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The Commission has not determined the effect on the financial statements.

GASB Statement No. 96– In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The Commission has not determined the effect on the financial statements.

GASB Statement No. 97– In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. The Commission has not determined the effect on the financial statements.

Note 2 - Cash and Investments

Cash and investments consisted of the following at June 30, 2020:

Cash in Contra Costa County Pool	\$ 15,941,102
Imprest cash	1,500
	<hr/>
Total Cash and Investments	<u>\$ 15,942,602</u>

Investment Policy

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

Interest Rate Risk

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

As of June 30, 2020, the Commission had the following investments:

Investment	Fair Value	WAM Years
County Investment Pool	\$ 15,941,102	0.77
Total Investments	<u>\$ 15,941,102</u>	

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization the Commission’s investment in the County Investment Pool is not rated.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Required disclosure information regarding the categorization of invests and other deposit and investment risk disclosures can be found in the County's Comprehensive Annual Financial Report which may be obtained by contacting the County of Contra Costa's Auditor-Controller's office at 625 Court Street, Martinez, California 94553.

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, 2020, 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.

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, 2020 of \$15,941,102 is an uncategorized input, not defined as a level 1, level 2 or level 3 input and approximates fair value. The carrying amount of deposits held with the County Pool was \$15,926,943.

Note 3 - Compensated Absences

Changes in the compensated absences liability for the fiscal year ended June 30, 2020, are summarized as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amount Due within one year
Compensated Absences	\$ 235,033	\$ 188,514	\$ 171,406	\$ 252,141	\$ 25,214

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, 2020, were as follows:

Due from State Commission	
Prop 10 revenue for	
May 2019	\$ 400,388
June 2019	568,859
First 5 CA IMPACT	907,605
First 5 San Francisco - HUB IMPACT	27,202
First 5 CSPP	134,799
First 5 QCC	69,379
First 5 CA Dual Language Learner (DLL)	25,437
	<u> </u>
Total due from other governments	<u><u>\$ 2,133,669</u></u>

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 to operate 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 percent of the loan on the 5th anniversary date of the issuance of the Certificate of Completion, 25 percent on the 10th anniversary, 25 percent on the 15th anniversary and 25 percent 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, 2020.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

Note 6 - Capital Assets

Governmental activities	June 30, 2019	Additions	Deletions	June 30, 2020
Capital assets, not being depreciated				
Land	\$ 331,538	\$ -	\$ -	\$ 331,538
Total capital assets, not being depreciated	331,538	-	-	331,538
Capital assets, being depreciated:				
Buildings and improvements	4,145,416	52,998	-	4,198,414
Furniture and fixtures	176,402	19,317	-	195,719
Total capital assets, being depreciated	4,321,818	72,315	-	4,394,133
Less accumulated depreciation for:				
Buildings and improvements	(335,471)	(128,512)	-	(463,983)
Furniture and fixtures	(132,216)	(12,210)	-	(144,426)
Total accumulated depreciation	(467,687)	(140,722)	-	(608,409)
Governmental activities capital assets, net	\$ 4,185,669	\$ (68,407)	\$ -	\$ 4,117,262

Depreciation expense for the year ended June 30, 2020 amounted to \$140,722 and is included in the child development function in the statement of activities.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

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, 2020, 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,	Antioch First 5 Center	Brentwood First 5 Center	Concord First 5 Center	First 5 Contra Costa Office	Total
2021	\$ 31,821	\$ 75,600	\$ 15,120	\$ 234,068	\$ 356,609
2022	-	80,550	15,720	117,531	213,801
2023	-	6,750	-	-	6,750
	<u>\$ 31,821</u>	<u>\$ 162,900</u>	<u>\$ 30,840</u>	<u>\$ 351,599</u>	<u>\$ 577,160</u>

Rent expense was \$333,370 for the year ended June 30, 2020.

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, 2020 consisted of the following:

Fund Balance	<u>General Fund</u>
Nonspendable	
Prepaid Expense	\$ 135,878
Note Receivable - Perinatal	214,000
Restricted	
D&M Leshner Foundation - ReadyKids	361,763
Committed	
Capital Asset Replacement	841,227
Assigned	
Elimination of FY19/20 budget deficit	3,500,000
Operating Leases	577,160
Unassigned	
Contingency Fund	7,500,000
Unassigned	<u>5,090,080</u>
Total Fund Balance	<u>\$ 18,220,108</u>

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

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, 2020. 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.

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.

The following table shows expenses with agencies represented by Commissioners and Alternate Commissioners for the fiscal year ended June 30, 2020:

Related Party	Fiscal Year 2019-20 Expenses
CoCoKids Inc.	\$ 448,899
Contra Costa County	149,705
Total	\$ 598,604

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

Related Party	Balances Due June 30, 2020
CoCoKids Inc.	\$ 23,787

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

The following table shows revenue with agencies represented by Commissioners and Alternate Commissioners for the fiscal year ended June 30, 2020:

Related Party	Fiscal Year 2019-20 Revenue
Contra Costa County	\$ 84,214

The Commission earned revenue totaling \$84,214 from Contra Costa County during the year ended June 30, 2020. This revenue was solely for Health Services, which includes Public Health and Behavioral Health Services Division/Mental Health.

The Commission incurred expenses totaling \$149,705 for County services provided during the year ended June 30, 2020 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.

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, 2020, the Commission expended \$389,485 for program evaluation.

Note 12 - Defined Benefit Pension Plan

Plan Description

Plan Administration

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

The management of CCCERA is vested with the CCCERA Board of Retirement. The Board consists of twelve trustees. Of the twelve members, three are alternates. Four trustees are appointed by the County Board of Supervisors; four trustees (including the Safety alternate) are elected by CCCERA's active members; two trustees (including one alternate) are elected by the retired membership. Board members serve three-year terms, except for 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 become 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 benefits 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 percent of final compensation. There is no final compensation limit on the maximum retirement benefit for members with membership dates on or after January 1, 2013.

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

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60 percent 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.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

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 percent for General Tier 1 and PEPR 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, 2020 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	8.10% - 15.23%	8.95% - 11.96%
Required employer contribution rates	28.60%	24.28%

(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.

For the year ended June 30, 2020, contributions to the plan were as follows:

	General
Contributions - employer	\$ 615,504

Plan's Collective Net Pension Liability

As of June 30, 2020, the Commission reported a liability of \$1,480,016 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, 2019, 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, 2018, rolled forward using standard update procedures. The Commission's proportion of the net pension liability is based on the Commission's actual 2019 compensation relative to the actual compensation of all participating employers. The Commission's proportionate share of the net pension liability, measured at December 31, 2018 and 2019 was as follows:

	<u>General</u>
Proportion - December 31, 2018	0.202%
Proportion - December 31, 2019	<u>0.171%</u>
Change in Proportion	<u><u>-0.031%</u></u>

For the year ended June 30, 2020, the Commission recognized pension expense of \$622,946. At June 30, 2020, 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	\$ 342,411	\$ -
Changes in proportion and differences between the Commission's contributions and proportionate share of contributions	300,603	176,074
Changes in assumptions or other inputs	-	89,785
Net difference between projected and actual earnings on plan investments	-	343,309
Difference between expected and actual experience	<u>211,461</u>	<u>22,076</u>
Total	<u><u>\$ 854,475</u></u>	<u><u>\$ 631,244</u></u>

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

The \$342,411 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, 2020. 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	
2020	\$ (6,500)
2021	(17,601)
2022	112,236
2023	(207,315)
Total	\$ (119,180)

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2018
Measurement Date	December 31, 2019
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	3.75% - 15.25%
Investment Rate of Return	7.00% (2)
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median 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

(3) Projected 30 years generationally with the two-dimensional MP-2018 projection scale

The underlying mortality assumptions and all other actuarial assumption used in the December 31, 2019 valuation were based on the results of an experience study for the period January 1, 2015 through December 31, 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent 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 total pension liability as of December 31, 2018.

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	Long-Term
Large Cap U.S. Equity	5.00%	5.44%
Developed International Equity	13.00%	6.54%
Emerging Markets Equity	11.00%	8.73%
Short-Term Govt/Credit	23.00%	0.84%
U.S. Treasury	3.00%	1.05%
Private Equity	8.00%	9.27%
Risk Diversifying Strategies	7.00%	3.53%
Global Infrastructure	3.00%	7.90%
Private Credit	12.00%	5.80%
REIT	1.00%	6.80%
Value Add Real Estate	5.00%	8.80%
Opportunistic Real Estate	4.00%	12.00%
Risk Parity	5.00%	5.80%
	100%	
Total		

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount Rate	6.00%	7.00%	8.00%
Commission's Net Pension Liability (Asset)	\$ 4,276,546	\$ 1,480,016	\$ (811,770)

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

General Information about the OPEB Plan

Plan Description

The Commission's defined benefit OPEB plan provides OPEB for employees hired prior to January 1, 2007 and who retire directly from the Commission on or after age 50 with at least 10 years of service. Part-time employees receive pro-rated service. The Commission's OPEB plan is an agent multiple-employer defined benefit OPEB plan administered by California Employees Retirement Benefit Trust (CERBT). CERBT issues a publicly available financial report that can be obtained at CERBT4U@CalPERS.GOV.

Benefits Provided

Eligible retirees and their dependents are offered a choice of medical and dental plans through the Contra Costa County Employee Benefits Health Plan. The Commission provides a contribution towards the cost of medical and dental coverage. These contributions are fixed based on the employer subsidies in place in 2011 which varies based on the plan and family coverage category elected by the retiree.

Employees covered by benefit terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	9
	<hr/>
Total	<u>12</u>

Contributions

Generally, contribution requirements of the Commission are established and may be amended by the Board of Commissioners. The Plan and its contribution requirements are established by the Board of Supervisors of Contra Costa County. The annual contribution is based on the actuarially determined contribution. Employees are not required to contribute to the plan. For the year ended June 30, 2020, the Commission contributed \$66,965 directly to the plan and recognized \$9,675 in implicit contributions.

Net OPEB Liability

The Commission’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3%, average including inflation
Investment Rate of Return	6.5% percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.5% for 2019 decreasing 0.5% per year to an ultimate rate of 5% for 2022 and later years

Mortality rates were based on the Society of Actuaries Pub-0010 General Headcount Weighted Mortality Table fully generational using Scape MP-2019. The rates have been updated from the 2014 CalPERS experience study for the pension plan.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term
Global Equity	59.00%	5.50%
REITS	8.00%	3.65%
Global Debt Securities	25.00%	2.35%
Commodities	3.00%	1.75%
Inflation Assets	5.00%	1.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that the Commission contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB	Plan Fiduciary	Net OPEB
Balance at June 30, 2018 measurement date	\$ 1,109,444	\$ 826,696	\$ 282,748
Changes in the year			
Service cost	35,770	-	35,770
Interest on the total pension liability	73,368	-	73,368
Differences between Expected and Actual Experience	(158,097)	-	(158,097)
Changes of Assumptions	(52,714)	-	(52,714)
Contribution - employer	-	67,165	(67,165)
Contribution - employee	-	-	-
Net investment income	-	57,293	(57,293)
Benefit payments, including refunds of employee contributions	(32,954)	(32,954)	-
Administrative expense	-	(177)	177
Net changes	(134,627)	91,327	(225,954)
Balance at June 30, 2019 measurement date	\$ 974,817	\$ 918,023	\$ 56,794

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	5.50%	6.50%	7.50%
Commission's net OPEB liability/(asset)	\$ 153,052	\$ 56,794	\$ (26,553)

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2020

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Healthcare cost trend rates	(5.50% HMO/6.00% PPO decreasing to 3.50% HMO/3.50% PPO)	(6.50% HMO/7.00% PPO decreasing to 4.50% HMO/4.50% PPO)	(7.50% HMO/8.00% PPO decreasing to 5.50% HMO/5.50% PPO)
Commission's net OPEB liability/(asset)	\$ (45,053)	\$ 56,794	\$ 177,322

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT report.

For the year ended June 30, 2020, the Commission recognized OPEB expense of \$84,736. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Commission contributions subsequent to measurement date	\$ 76,640	\$ -
Net difference between projected and actual earnings on plan investments	-	1,872
Difference between expected and actual experience	-	135,512
Changes of assumptions	-	45,183
Total	\$ 76,640	\$ 182,567

The \$76,640 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2020	\$ (30,849)
2021	(30,851)
2022	(30,028)
2023	(30,608)
2024	(30,116)
Thereafter	(30,115)
Total	\$ (182,567)

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, 2020, the Commission had no settlements exceeding insurance coverage for these categories of risk. For the past three years, settlements or judgment amounts have not exceeded insurance provided for the Commission.



Required Supplementary Information
For the Year Ended June 30, 2020

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa)

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, 2020

	Budgeted amounts		Actual Amounts	Variance with Final budget - Positive (negative)
	Original	Final		
Revenues				
Prop 10 & 56 - Tax Apportionment	\$ 7,566,443	\$ 7,566,443	\$ 8,143,938	\$ 577,495
First 5 California IMPACT	1,183,179	1,183,179	1,360,368	177,189
CSPP-COE/Preschool QRIS Block Grant	380,764	380,764	319,855	(60,909)
QCC-Quality Counts California	225,106	225,106	184,691	(40,415)
Leshar Ready Kids	235,000	235,000	250,000	15,000
MHSA Grant/Triple P	82,000	82,000	84,214	2,214
Community Engagement Grants	50,000	50,000	513,987	463,987
Interest income	200,000	200,000	319,315	119,315
Other revenue	-	-	285,696	285,696
Total Revenues	9,922,492	9,922,492	11,462,064	1,539,572
Expenditures				
Current:				
Program expenditures:				
Early care and education	2,058,207	2,058,207	2,030,451	27,756
Family support	3,895,326	3,895,326	2,992,941	902,385
Early intervention	1,896,680	1,896,680	1,746,287	150,393
Community Information and Education	736,500	736,500	243,413	493,087
Salaries and employee benefits	3,019,601	3,019,601	2,836,304	183,297
Other program expenditures	635,658	635,658	228,547	407,111
Strategic Information & Planning:				
Salaries and employee benefits	475,368	475,368	152,313	323,055
Other evaluation expenditures	418,903	418,903	237,170	181,733
Administrative:				
Salaries and employee benefits	1,045,549	1,045,549	1,012,564	32,985
Other administrative expenditures	410,098	410,098	397,861	12,237
Capital Outlay	-	-	72,315	(72,315)
Total Expenditures	14,591,890	14,591,890	11,950,166	2,641,724
Excess (deficiency) of revenues over (under) expenditures	(4,669,398)	(4,669,398)	(488,102)	4,181,296
Net Change in Fund Balance	\$ (4,669,398)	\$ (4,669,398)	(488,102)	\$ 4,181,296
Fund Balance, Beginning of Year			18,708,210	
Fund Balance, End of Year			\$ 18,220,108	

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, 2020

	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	0.141%	0.164%	0.173%	0.159%	0.202%	0.171%
Proportionate share of the net pension liability	\$ 1,683,167	\$ 2,465,341	\$ 2,423,899	\$ 1,289,083	\$ 2,881,759	\$ 1,480,016
Covered payroll	\$ 1,735,009	\$ 1,962,961	\$ 2,140,380	\$ 2,405,397	\$ 2,525,004	\$ 2,511,538
Proportionate share of the net pension liability as a percentage of covered payroll	97.01%	125.59%	113.25%	53.59%	114.13%	58.93%
Plan fiduciary net position as a percentage of the total pension liability	85.25%	82.24%	84.16%	91.18%	85.09%	91.46%
Measurement date	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019

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

First 5 Contra Costa Children and Families Commission
Contra Costa County Employees' Retirement Association –
Schedule of Pension Contributions
Last 10 Years For the Year Ended June 30, 2020

	2015	2016	2017	2018	2019	2020
Actuarially determined contributions	\$ 594,757	\$ 604,348	\$ 636,711	\$ 660,452	\$ 659,815	\$ 615,504
Contributions in relation to the actuarially determined contribution	594,757	604,348	636,711	660,452	659,815	615,504
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,852,141	\$ 2,025,525	\$ 2,204,354	\$ 2,488,297	\$ 2,747,667	\$ 2,607,465
Contributions as a percentage of covered payroll	32.11%	29.84%	28.88%	26.54%	24.01%	23.61%

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

First 5 Contra Costa Children and Families Commission
Schedule of Changes in the Commission's Net OPEB Liability
Last 10 Years For the Year Ended June 30, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB Liability			
Service cost	\$ 32,608	\$ 34,728	\$ 35,770
Interest on the total OPEB liability	64,455	68,828	73,368
Changes in assumptions	-	-	(52,714)
Differences between expected and actual experience	-	-	(158,097)
Benefit payments, including refunds of employee contributions	<u>(27,243)</u>	<u>(36,565)</u>	<u>(32,954)</u>
Net change in total OPEB liability	69,820	66,991	(134,627)
Total OPEB liability - beginning	<u>972,633</u>	<u>1,042,453</u>	<u>1,109,444</u>
Total OPEB liability - ending (a)	<u><u>\$ 1,042,453</u></u>	<u><u>\$ 1,109,444</u></u>	<u><u>\$ 974,817</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 52,344	\$ 45,720	\$ 67,165
Net investment income	50,176	47,514	57,293
Administrative expenses	(367)	(403)	(177)
Other expense	-	(1,021)	-
Benefit payments	<u>(27,243)</u>	<u>(36,565)</u>	<u>(32,954)</u>
Net change in plan fiduciary net position	74,910	55,245	91,327
Plan fiduciary net position - beginning	<u>696,541</u>	<u>771,451</u>	<u>826,696</u>
Plan fiduciary net position - ending (b)	<u>771,451</u>	<u>826,696</u>	<u>918,023</u>
Net OPEB liability - ending (a)-(b)	<u><u>\$ 271,002</u></u>	<u><u>\$ 282,748</u></u>	<u><u>\$ 56,794</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	74.00%	74.51%	94.17%
Covered employee payroll	\$ 1,855,831	\$ 1,087,232	\$ 1,085,000
Net OPEB liability as percentage of covered employee payroll	14.60%	26.01%	5.23%

*Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

First 5 Contra Costa Children and Families Commission
Schedule of the Commission's OPEB Contributions
Last 10 Years For the Year Ended June 30, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contributions	\$ 30,875	\$ 35,444	\$ 76,640
Contributions in relation to the actuarially determined contribution	<u>30,875</u>	<u>35,444</u>	<u>76,640</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,087,232	\$ 1,085,000	\$ 827,457
Contributions as a percentage of covered employee payroll	2.84%	3.27%	9.26%

*Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

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
For the Year Ended June 30, 2020

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa)

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 the Year Ended June 30, 2020

Program	Source	Revenue CCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	CCFC Program Funds*	\$ 1,404,582	\$ 1,393,368	\$ 11,214	\$ 33,000	\$ 44,214
	County, Local Funds	782,376	782,376	-	-	-

* Includes \$44,214 HUB funding received from First 5 San Francisco.



Compliance Reports

For the Year Ended June 30, 2020

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa)



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

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

We have audited, 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, the financial statements of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission, a component unit of the County of Contra Costa, California (County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the commission's basic financial statements and have issued our report thereon dated November 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 6, 2020



Independent Auditor's Report on State Compliance

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

Report on 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 (County), 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, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States, and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller's Office. Those standards and the State of California's Standards and Procedures for the Audits of Local Entities Administering the California Children and Families Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above 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, 2020.

Purpose of Report

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the Controller's Office. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
November 6, 2020