



Financial Statements

For the Year Ended June 30, 2022

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission (Commission), a component unit of the County of Contra Costa, California as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard/Emphasis of Matter

As discussed in Note 1 and Note 15 to the financial statements, the Commission has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities beginning net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of proportionate share of the net pension liability/(asset), schedule of pension contributions, schedule of changes in the Commission's net other postemployment benefits (OPEB), and the schedule of the Commission's OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenses by fund source and net position of the California Children and Families Commission (CCFC) Funds for First 5 Programs and Activities (schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 10, 2022, 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 the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.



Sacramento, California
November 10, 2022

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, 2022. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 10).

Fiscal 2022 Financial Highlights

Financial highlights of the year include the following:

At the close of fiscal year 2021-2022, the Commission's assets and deferred outflows exceeded its liabilities and deferred inflows by \$21,923,108 (net position), an increase of 2% from the previous year. Of this amount, \$3,894,681 was the net investment in capital assets and \$230,000 was restricted for the Dean and Margaret Leshner Foundation – Ready Kids East County Grant. The remaining net position, \$17,798,427 is available to meet the Commission's ongoing obligations. The change in net position is due to an increase in Proposition 56 and grant revenues during fiscal year 2021-2022.

Total Commission revenues for fiscal year 2021-2022 equaled \$12,527,959, an increase of \$1,195,927 from the prior year. The revenue consisted of Contra Costa's Propositions 10 and 56 tax allocations by birth rate and project-specific funding from First 5 California and other public contracts including First 5 California IMPACT, IMPACT HUB, First 5 California Dual Language Learners Pilot (DLL), Quality Counts California (QCC), California State Preschool Program (CSPP), ACEs Aware; and other foundation grants and interest income.

Contra Costa's 2021-22 Proposition 10 tax revenue of \$6,105,031 decreased 7% from the previous year's total of \$6,597,093. Statewide, Prop 10 income decreased \$20,825,679 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 2021-22 of \$2,046,138.

Total expenses for fiscal year 2022 were \$12,105,082, an increase of \$1,445,797 from the previous year. The increase during fiscal year 2022 can be attributed to expenditures within professional services due to administrative facility relocation.

During fiscal year 2021-22, total Commission revenues exceed expenditures by \$422,877, eliminating the need for drawdown from the Fund Balance as projected in the approved budget.

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, 2022

The following is a summary of the Commission's Statement of Net Position comparing balances at June 30, 2022 and June 30, 2021.

	Governmental Activities		Change
	2022	2021	
Assets			
Current and other assets	\$ 21,968,435	\$ 20,036,044	\$ 1,932,391
Capital assets, net of depreciation	7,969,812	3,978,553	3,991,259
Total Assets	<u>29,938,247</u>	<u>24,014,597</u>	<u>5,923,650</u>
Deferred outflows of resources	<u>1,721,397</u>	<u>732,545</u>	<u>988,852</u>
Liabilities			
Current liabilities	2,493,861	1,469,222	1,024,639
Noncurrent liabilities	<u>4,103,548</u>	<u>800,093</u>	<u>3,303,455</u>
Total Liabilities	<u>6,597,409</u>	<u>2,269,315</u>	<u>4,328,094</u>
Deferred inflows of resources	<u>3,139,127</u>	<u>977,596</u>	<u>2,161,531</u>
Net Position			
Net investment in Capital Assets	3,894,681	3,978,553	(83,872)
Restricted for:			
Dean & Margaret Leshner Foundation	230,000	301,651	(71,651)
Unrestricted	<u>17,798,427</u>	<u>17,220,027</u>	<u>578,400</u>
Total Net Position	<u>\$ 21,923,108</u>	<u>\$ 21,500,231</u>	<u>\$ 422,877</u>

The Commission's net position from governmental activities increased from \$21,500,231 in 2021 to \$21,923,108 in 2022. The \$422,877 increase in Net Position was due to an increase in Proposition 56 and grant revenues expenditures during fiscal year 2021-2022.

The most significant portion of the Commission's current assets is its cash balances. Current and other assets increased \$1,932,391 from the prior year due to an increase in Proposition 56 and grant revenues, coupled with the recognition of a net pension asset. 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, which had a balance of \$1,549,447 at June 30, 2022. These receivables are due from the State for the June 2022 Proposition 10 tax revenues (\$533,683), the First 5 California Improve and Maximize Programs so All Children Thrive (IMPACT) grant (\$352,365), California Quality Block Grant expenditures (\$75,880), California State Preschool Program grant (\$71,471), First 5 San Francisco for IMPACT regional training and technical assistance activities (HUB) Grant (\$68,537), First 5 California Dual Language Learners Pilot (DLL) Grant (\$148,510), Workforce Pathways (\$4,601) and ACES Aware grant (\$294,400).

First 5 Contra Costa Children and Families Commission
Management's Discussion and Analysis
June 30, 2022

Noncurrent assets increased a total of \$4,968,635. This change was mostly due to the recognition of a Right to use lease asset for office space of \$4,196,789 in fiscal year 2021-22 due to the adoption of GASB Statement No. 87, *Leases*, as well as the recognition of a Net Pension Asset of \$763,759 and Net OPEB Asset of \$106,617.

Current liabilities for the year ending June 30, 2022 increased \$1,040,341 from the prior year due to increased 4th quarter contract payments and accounts payable. Current liabilities include vendor accounts payable of \$325,434, 4th quarter contract payments of \$1,436,531 payable to service providers and related parties at June 30, 2022, accrued wages and benefits of \$299,128, unearned grant revenue of \$150,010, and the current portions of compensated absences of \$31,118 and lease liability \$267,342.

Noncurrent liabilities consist of the long-term portion of accrued vacation in the amount of \$280,057 and lease liability of \$3,807,789.

In 2022, the Commission reported deferred outflows of resource and deferred inflows of resources in the amounts of \$1,721,397 and \$3,139,127 respectively. The deferred outflows and 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 2021-2022 with fiscal year 2020-2021:

	Governmental Activities		Change
	2022	2021	
Program Revenues			
Prop 10 Tax	\$ 6,105,031	\$ 6,597,093	\$ (492,062)
Prop 56	2,046,138	1,983,319	62,819
Grant income	4,488,118	2,738,091	1,750,027
Total Program Revenues	<u>12,639,287</u>	<u>11,318,503</u>	<u>1,320,784</u>
General Revenues			
Interest income	98,982	12,241	86,741
Unrealized loss	(245,573)	-	(245,573)
Miscellaneous revenue	35,263	1,288	33,975
Total Revenues	<u>12,527,959</u>	<u>11,332,032</u>	<u>1,195,927</u>
Expenses			
Child development	12,088,238	10,497,524	1,590,714
Interest expense	16,844	-	16,844
Total Expenses	<u>12,105,082</u>	<u>10,497,524</u>	<u>1,607,558</u>
Change in net position	422,877	834,508	(411,631)
Net position, beginning of year	<u>21,500,231</u>	<u>20,665,723</u>	<u>834,508</u>
Net position, end of year	<u>\$ 21,923,108</u>	<u>\$ 21,500,231</u>	<u>\$ 422,877</u>

Proposition 10 revenue decreased \$492,062 and Proposition 56 revenue increased \$62,819 compared to the prior year. Grant income increased by \$1,343,140.

The Commission's total expenses increased \$1,607,558 (15%) from the prior year; and were aligned with the Commission's 2021-2023 Strategic Plan. The Early Intervention Initiative, with ACEs Aware grant funding, continued training and engagement of early intervention providers, pediatricians and parents on developmental screenings, ACEs screening, and Trauma-Informed practices. Foundation grant funds supported general First 5 Contra Costa operations and activities, as well as activities for the Community Engagement Program to continue advocacy and community organizing efforts focused on park improvements, voter registration engagement, parent leadership training, and advocacy for tenant protections and housing security for families with young children throughout the County. Additionally, COVID-19 related foundation grants made it possible to provide family and childcare providers with resources, COVID-19 Family Child Care Relief Provider Grants, PPE, and distribution of supplies and books through the First 5 Centers and the Quality Matters Program. The Early Care and Education (ECE) Initiative continued providing training for ECE providers and on-site coaching services through virtual sessions and Communities of Practice aimed at improving quality of early learning settings. In addition, the ECE Initiative implemented a robust practice-based capacity-building training and coaching model to ensure comprehensive supports for young dual language learner (DLL) children and their families. The DLL grant provided capacity building for early childhood educators to increase their knowledge and to learn Personalized Oral Language Learning (POLL) strategies with meaningful family engagement practices using a parent-focused Creative Connections curriculum. Further, the ECE Initiative continued implementation of school readiness activities for Black and African American children and families and partnership development with East County community-based organizations, school districts and city elected officials as part of the Ready Kids East County Initiative. The Family Support Initiative, maintained consistent in-person and online classes, activities and resources for young children and their families through the five First 5 Centers across Contra Costa County.

Financial Analysis of the Governmental Fund

The fluctuations in the Commission's General Fund revenues and expenditures from the year ended June 30, 2021 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 Budgetary Highlights

Revenues came in \$596,937 below the budgeted amount (8%). Expenditures were under budget by \$2,402,697 (17%). Proposition 56 revenues were higher than budgeted, offsetting the Proposition 10 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 COVID-19 related restrictions.

Capital Assets and Debt Administration

Capital Assets

Revenues came in \$596,937 below the budgeted amount (8%). Expenditures were under budget by \$2,402,697 (17%). Proposition 56 revenues were higher than budgeted, offsetting the Proposition 10 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 COVID-19 related restrictions.

Long Term Obligations

The Commission's long-term obligations are the long-term portion of compensated absences and lease liability at year-end. These liabilities increased \$3,287,753 from the previous year, mostly due to the recognition of a lease liability of \$3,807,789 due to the implementation of GASB Statement No. 87, Leases.

Economic Outlook and Major Initiatives

California Proposition 10 tobacco tax revenues decreased in FY21/22 as tobacco sales continued its downward trajectory. Proposition 10 income will continue to drop in FY22/23 but will be offset by Proposition 56 backfill. It is anticipated that revenue will then continue to decline each year thereafter as tobacco consumption declines in California.

Additional Proposition 10 revenue decline is projected due to potential flavors ban regulation on tobacco. Flavors ban legislation is included in the November 2022 ballot and if upheld the forecast is that revenue is going downward at an annual reduction of 1.7% and would increase to a 3.2% decline in the coming years. Overall, there is a clear downward trend in the coming years.

The Commission concluded activities approved in the 2021-2023 strategic plan for FY 21/22 without 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 4005 Port Chicago Highway, Suite 120, Concord, California 94520.

First 5 Contra Costa Children and Families Commission
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 19,033,072
Accounts receivable	240,647
Due from other governments	1,549,447
Prepaid expense	167,893
Total Current Assets	20,991,059
Noncurrent Assets	
Note receivable	107,000
Net pension asset	763,759
Net OPEB asset	106,617
Capital assets, nondepreciable	331,538
Capital assets, net of accumulated depreciation/amortization	7,638,274
Total Noncurrent Assets	8,947,188
Total Assets	29,938,247
Deferred outflows of resources	
Deferred outflows related to pensions	1,576,771
Deferred outflows related to OPEB	144,626
Total Deferred Outflows of Resources	1,721,397
Liabilities	
Current Liabilities	
Accounts payable	325,434
Grants and contracts payable	1,400,427
Grants and contracts payable to related parties	36,104
Accrued wages and benefits	299,128
Unearned grant revenue	150,010
Compensated absences, current portion	31,118
Lease liability, current portion	251,640
Total Current Liabilities	2,493,861

First 5 Contra Costa Children and Families Commission
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Noncurrent Liabilities	
Compensated absences	\$ 280,057
Lease liability	<u>3,823,491</u>
Total Noncurrent Liabilities	<u>4,103,548</u>
Total Liabilities	<u>6,597,409</u>
Deferred inflows of resources	
Deferred inflows related to pensions	2,807,107
Deferred inflows related to OPEB	<u>332,020</u>
Total Deferred Inflows of Resources	<u>3,139,127</u>
Net position	
Net investment in capital assets	3,894,681
Restricted for	
Dean & Margaret Lesher Foundation - Ready Kids	230,000
Unrestricted	<u>17,798,427</u>
Total Net Position	<u><u>\$ 21,923,108</u></u>

First 5 Contra Costa Children and Families Commission
Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Operating Grants And Contributions	Governmental Activities
Child development	\$ 12,088,238	\$ 12,639,287	\$ 551,049
Interest on leases	16,844	-	(16,844)
Total governmental activities	\$ 12,105,082	\$ 12,639,287	534,205
General Revenues			
Investment income			98,982
Unrealized loss			(245,573)
Miscellaneous			35,263
Total General Revenues			(111,328)
Change in Net Position			422,877
Net Position, July 1			21,500,231
Net Position, June 30			\$ 21,923,108

First 5 Contra Costa Children and Families Commission

Governmental Fund Balance Sheet

June 30, 2022

	General Fund
Assets	
Cash and investments	\$ 19,033,072
Accounts receivable	240,647
Due from other governments	1,549,447
Prepaid expense	167,893
Note receivable	107,000
Total Assets	\$ 21,098,059
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 325,434
Grants and contracts payable	1,400,427
Grants and contracts payable to related parties	36,104
Accrued wages and benefits	299,128
Unearned grant revenue	150,010
Total Liabilities	2,211,103
Fund Balances	
Nonspendable	274,893
Restricted	230,000
Assigned	4,649,586
Unassigned	13,732,477
Total Fund Balances	18,886,956
Total Liabilities and Fund Balances	\$ 21,098,059

First 5 Contra Costa Children and Families Commission
 Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
 June 30, 2022

Fund balance of governmental fund	\$ 18,886,956
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,969,812
Deferred inflows and outflows of resources related to the net pension liability are not due and payable in the current period and therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,576,771
Deferred inflows of resources related to pensions	(2,807,107)
Deferred inflows and outflows of resources related to the net OPEB liability are not due and payable in the current period and therefore, are not reported in the funds:	
Deferred outflows of resources related to OPEB	144,626
Deferred inflows of resources related to OPEB	(332,020)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net pension asset	763,759
Net OPEB asset	106,617
Lease liability	(4,075,131)
Compensated absences	(311,175)
Net Position of Governmental Activities	\$ 21,923,108

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, 2022

	General Fund
Revenues	
Prop 10 Tobacco Tax	\$ 6,105,031
Prop 56 Backfill	2,046,138
Grant income	4,488,118
Interest income	98,982
Unrealized loss	(245,573)
Other revenue	35,263
	12,527,959
Total Revenues	12,527,959
Expenditures	
Current	
Program Expenditures	
Early care and education	1,291,834
Family support	2,893,923
Early intervention	1,919,847
Community information and education	154,440
Salaries and employee benefits	3,131,503
Other program expenditures	998,249
Strategic Information & Planning:	
Salaries and employee benefits	195,517
Other evaluation expenditures	126,038
Administrative	
Salaries and employee benefits	887,153
Other administrative expenditures	440,393
Capital outlay	3,831,862
Debt Service	
Principal	121,658
Interest	16,844
	16,009,261
Total Expenditures	16,009,261
Excess (deficiency) of revenues over (under) expenditures	(3,481,302)
Other financing sources (uses)	
Lease issuance	3,768,418
	3,768,418
Total other financing sources (uses)	3,768,418
Net change in fund balance	287,116
Fund balance, July 1	18,599,840
Fund balance, June 30	\$ 18,886,956

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, 2022

Net change in fund balance - total governmental fund	\$ 287,116
<p>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:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of capital assets are expensed over their estimated useful lives as depreciation expense.</p>	
Depreciation expense	(268,974)
<p>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.</p>	
	19,006
<p>The issuance of long-term debt (e.g., bonds, leases) provides current resources to governmental funds, while the repayment of long-term debt principal is an expenditure in the governmental funds. The issuance of debt increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.</p>	
Capital leases principal payments	121,658
Issuance of leases	(3,768,418)
<p>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.</p>	
Change in deferred outflows related to OPEB	97,395
Change in deferred inflows related to OPEB	(177,657)
Change in net OPEB asset	122,539
<p>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.</p>	
Change in deferred outflows related to pensions	891,457
Change in deferred inflows related to pensions	(1,983,874)
Change in net pension asset	1,250,767
	1,250,767
Change in net position of governmental activities	\$ 422,877

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 (Prop) 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, California.

Basis of Accounting and Measurement Focus

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

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

Government-Wide Financial Statements

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

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

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

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.

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

Capital assets and leased assets are not considered to be financial resources and therefore, are not reported as assets in the fund financial statements. Capital assets are recorded at cost, net of accumulated depreciation in the government-wide financial statements. Leased assets are recorded at the present value of the lease payments at the inception of the lease, net of accumulated amortization.

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. Leased assets are reported as "right to use" assets and are amortized over the shorter of the asset's useful life or the lease term. The estimated useful life used for the depreciable capital assets and leased 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/(asset), 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/(asset), 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 "AAA" 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, 2022, 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, 2022:

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. The Commission reports deferred inflows related to pensions and OPEB.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

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 implementation of this Statement resulted in an adjustment to beginning balances of capital assets and long-term liabilities. See Note 15 for further details.

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 implementation of this Statement did not have a material 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 implementation of this Statement did not have a material 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 implementation of this Statement did not have a material 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 implementation of this Statement did not have a material effect on the financial statements.

Note 2 - Cash and Investments

Cash and investments consisted of the following at June 30, 2022:

Cash in Contra Costa County Pool	\$ 19,031,572
Imprest cash	<u>1,500</u>
Total Cash and Investments	<u><u>\$ 19,033,072</u></u>

Investment Policy

The Commission adopted a resolution in February 2001 delegating investment authority to the Contra Costa County Treasurer (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 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 Annual Comprehensive Financial Report (ACFR). 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.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2022

As of June 30, 2022, the Commission had the following investments:

Investment	Fair Value	WAM Years
County Investment Pool	\$ 19,031,572	0.68
Total Investments	\$ 19,031,572	

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 Annual Comprehensive 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, 2022, 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, 2022, of \$19,031,572 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 \$19,264,674.

Note 3 - Compensated Absences

Changes in the compensated absences liability for the fiscal year ended June 30, 2022, are summarized as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amount Due within one year
Compensated Absences	\$ 330,181	\$ 18,943	\$ (37,949)	\$ 311,175	\$ 31,118

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, 2022, were as follows:

Due from State Commission		
Prop 10 revenue for June 2022		\$ 529,804
SMIF		3,879
Workforce Pathways		4,601
First 5 ACE		294,400
First 5 CA IMPACT		352,365
First 5 San Francisco - HUB IMPACT		68,537
First 5 CSPP		71,471
First 5 QCC		75,880
First 5 CA Dual Language Learner (DLL)		148,510
		<u>1,549,447</u>
Total due from other governments		<u>\$ 1,549,447</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 agreement was amended as of December 7, 2020, extending the term to December 1, 2026. The next forgiveness date was extended by one year to December 1, 2021. 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 \$107,000 as of June 30, 2022.

Note 6 - Capital Assets

Governmental activities	(Restated) July 1, 2021	Additions	Deletions	June 30, 2022
Capital assets, not being depreciated				
Land	\$ 331,538	\$ -	\$ -	\$ 331,538
Total capital assets, not being depreciated	<u>331,538</u>	<u>-</u>	<u>-</u>	<u>331,538</u>
Capital assets, being depreciated:				
Buildings and improvements	4,198,414	-	-	4,198,414
Furniture and fixtures	195,719	63,444	-	259,163
Total capital assets being depreciated	<u>4,394,133</u>	<u>63,444</u>	<u>-</u>	<u>4,457,577</u>
Less accumulated depreciation for:				
Buildings and improvements	(589,982)	(126,001)	-	(715,983)
Furniture and fixtures	(157,136)	(12,708)	-	(169,844)
Total accumulated depreciation	<u>(747,118)</u>	<u>(138,709)</u>	<u>-</u>	<u>(885,827)</u>
Governmental activities capital assets, net	<u>3,978,553</u>	<u>(75,265)</u>	<u>-</u>	<u>3,903,288</u>
Right to use leased assets being amortized				
Right to use assets - office space	428,371	3,768,418	-	4,196,789
Total right to use assets being amortized	<u>428,371</u>	<u>3,768,418</u>	<u>-</u>	<u>4,196,789</u>
Less accumulated amortization for:				
Right to use assets - office space	-	(130,265)	-	(130,265)
Total accumulated amortization	<u>-</u>	<u>(130,265)</u>	<u>-</u>	<u>(130,265)</u>
Net right to use assets	<u>428,371</u>	<u>3,638,153</u>	<u>-</u>	<u>4,066,524</u>
Governmental activities capital assets, net	<u>\$ 4,406,924</u>	<u>\$ 3,562,888</u>	<u>\$ -</u>	<u>\$ 7,969,812</u>

Depreciation and amortization expense for the year ended June 30, 2022, amounted to \$268,974 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, 2022

Note 7 - Leases

Changes in lease liabilities during the year ended June 30, 2022 are as follows:

	(Restated) July 1, 2021	Additions	Deletions	June 30, 2022	Due in One Year
Right to use assets - leased assets					
Child development centers	\$ 428,371	\$ -	\$ (121,658)	\$ 306,713	\$ 127,962
Admin office	-	3,768,418	-	3,768,418	123,678
Total right to use assets - leased assets	<u>\$ 428,371</u>	<u>\$ 3,768,418</u>	<u>\$ (121,658)</u>	<u>\$ 4,075,131</u>	<u>\$ 251,640</u>

The Commission leases office space from third parties for the local First 5 centers and the administration office. During the current year, the Commission entered into a lease agreement as lessee for a new office. As of June 30, 2022, the value of the lease liability was \$3,768,418. The Commission is required to make monthly payments of \$32,487 beginning on September 1, 2022. The payments have scheduled increases of 3.0% on the anniversary date each year until August 2034. The lease has an implicit interest rate of 5.0%.

In prior years, the Commission had entered into various lease agreements as lessee for the use of office space to run child development centers. As of June 30, 2022, the lease liability was \$306,713. The Commission is required to make monthly payments ranging from \$1,310 - \$6,750 with annual escalators of 3.0% each year on the respective anniversary dates. These leases run through June 30, 2027. The leases all have implied interest rates of 5.0%.

The Commission recognized \$130,265 in amortization expense and \$16,844 in interest expense during the fiscal year ended June 30, 2022.

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 251,640	\$ 199,874
2024	347,548	183,082
2025	272,468	167,495
2026	292,672	153,571
2027	322,008	138,285
2028-2032	1,991,266	420,121
2033-2035	597,529	18,949
	<u>\$ 4,075,131</u>	<u>\$ 1,281,377</u>

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, 2022 consisted of the following:

Fund Balance	<u>General Fund</u>
Nonspendable	
Prepaid Expense	\$ 167,893
Note Receivable - Perinatal	107,000
Restricted	
D&M Leshner Foundation - ReadyKids	230,000
Assigned	
Elimination of FY22/23 budget deficit	2,242,799
Leases	2,406,787
Unassigned	
Unassigned	<u>13,732,477</u>
Total Fund Balance	<u><u>\$ 18,886,956</u></u>

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 expenditures with agencies represented by Commissioners and Alternate Commissioners for the fiscal year ended June 30, 2022:

<u>Related Party</u>	<u>Fiscal Year 2021-22</u> <u>Expenditures</u>
CoCoKids Inc.	\$ 155,039
Contra Costa County	852,455
C.O.P.E Counseling Options and Parent Education	<u>183,482</u>
Total	<u><u>\$ 1,190,976</u></u>

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2022

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

Related Party	Balances Due June 30, 2022
CoCoKids Inc.	\$ 17,756
C.O.P.E Counseling Options and Parent Education	18,348
Total	\$ 36,104

The following table shows revenue with agencies represented by Commissioners and Alternate Commissioners for the fiscal year ended June 30, 2022:

Related Party	Fiscal Year 2021-22 Revenue
Contra Costa County	\$ 86,741

The Commission earned revenue totaling \$86,741 from Contra Costa County during the year ended June 30, 2022. This revenue was solely for Health Services, which includes Public Health and Behavioral Health Services Division/Mental Health.

The Commission incurred expenditures totaling \$852,455 for County services provided during the year ended June 30, 2022 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, 2022, the Commission expended \$321,553 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).

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2022

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.

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 PEPRA General Tier 4. The plan also provides a post retirement lump sum death benefit of \$5,000 to the member's beneficiary (\$31789.5) paid from the Post Retirement Death Benefit Reserve.

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

The Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

Hire date	General	
	Prior to January 1, 2013	On or after January 1, 2013
Formula	2.0% @ 55	2.5% @ 67
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	70 (1)	70 (2)
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.02% - 15.84%	8.91% - 11.90%
Required employer contribution rates	30.10%	24.76%

(1) Or 50 with ten years of service credit

(2) Or 52 with five years of service credit

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2022

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, 2022, contributions to the plan were as follows:

	General
Contributions - employer	\$ 858,000

Plan's Collective Net Pension Liability (Asset)

As of June 30, 2022, the Commission reported an asset of \$763,759 for its proportionate share of the Plan's collective net pension asset.

The Commission's net pension asset for the Plan is measured as the proportionate share of the total net pension liability/(asset). The net pension asset of the Plan is measured as of December 31, 2021, and the total pension liability for the Plan used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of December 31, 2021. The Commission's proportion of the net pension liability/(asset) is based on the Commission's actual 2021 compensation relative to the actual compensation of all participating employers. The Commission's proportionate share of the net pension liability/(asset), measured at December 31, 2020 and 2021 was as follows:

	General
Proportion - December 31, 2020	0.106%
Proportion - December 31, 2021	0.314%
Change in Proportion	0.208%

For the year ended June 30, 2022, the Commission recognized pension expense of \$188,054. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between the Commission's contributions and proportionate share of contributions	\$ 875,522	\$ 277,642
Changes in assumptions or other inputs	539,935	66,321
Net difference between projected and actual earnings on plan investments	-	2,445,843
Difference between expected and actual experience	161,314	17,301
Total	\$ 1,576,771	\$ 2,807,107

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2022

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	
2023	\$ (99,653)
2024	(645,912)
2025	(237,485)
2026	(247,286)
Total	\$ (1,230,336)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2021
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	6.75%
Inflation	2.75%
Payroll Growth	3.25% (1)
Projected Salary Increase	3.50% - 14.00%
Investment Rate of Return	6.75% (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, 2021, valuation was based on the results of an experience study for the period January 1, 2018 through December 31, 2020.

Changes of assumptions

CCCERA approved the following key assumption changes as compared to the measurement period ended December 31, 2020: 1) investment rate of return and the discount rate were both adjusted from 7.00% to 6.75%, 2) inflation was adjusted from 2.75% to 2.50%, and 3) projected salary increases were adjusted from 3.75% - 15.25% to 3.50% - 14.00%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 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, 2021.

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	10.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	10.00%	6.13%
Emerging Markets Equity	9.00%	8.17%
Core Fixed	4.00%	0.39%
Short-Term Govt/Credit	14.00%	-0.14%
Cash & Equivalents	3.00%	-0.73%
Private Equity	15.00%	10.83%
Private Credit	13.00%	5.93%
Infrastructure	3.00%	6.30%
Value Add Real Estate	5.00%	7.20%
Opportunistic Real Estate	5.00%	8.50%
Risk Parity	3.00%	3.80%
Hedge Funds	3.00%	2.40%
Total	100%	

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

The following presents the Commission's proportionate share of the net pension liability/(asset) 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/(asset) 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	5.75%	6.75%	7.75%
Commission's Net Pension Liability (Asset)	\$ 2,497,135	\$ (763,759)	\$ (3,434,644)

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 benefits 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 www.calpers.ca.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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	7
	<hr/>
Total	11
	<hr/> <hr/>

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, 2022, the Commission made no cash contributions directly to the plan and recognized \$26,161 in implicit contributions.

Net OPEB Liability/(Asset)

The Commission’s net OPEB liability/(asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions

The total OPEB liability in the June 30, 2021, 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	7.00% for 2022 decreasing 0.25% per year to an ultimate rate of 4.5% for 2032 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.

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
Global Equity	40.00%
REITS	8.00%
Global Debt Securities	40.00%
Commodities	4.00%
Inflation Assets	5.00%
Total	97.00%

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.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2020 measurement date	\$ 1,023,106	\$ 1,007,184	\$ 15,922
Changes in the year			
Service cost	34,537	-	34,537
Interest on the total OPEB liability	66,983	-	66,983
Differences between Expected and Actual Experience	138,209	-	138,209
Changes of Assumptions	(131,848)	-	(131,848)
Contribution - employer	-	31,916	(31,916)
Contribution - employee	-	-	-
Net investment income	-	198,872	(198,872)
Benefit payments, including refunds of employee contributions	(55,152)	(55,152)	-
Administrative expense	-	(368)	368
Net changes	52,729	175,268	(122,539)
Balance at June 30, 2021 measurement date	\$ 1,075,835	\$ 1,182,452	\$ (106,617)

Changes in assumptions

Changes in assumptions include updating mortality rates to the most recent tables published by the Society of Actuaries; retirement, termination, and disability rates have been updated to rates reported under the Contra Costa County Employees' Retirement Association pension plan valuation; and the healthcare cost trend rates have been reset to an initial rate of 7.00%.

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

The following presents the net OPEB liability/(asset) of the Commission, as well as what the Commission's net OPEB liability/(asset) 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount rate	5.50%	6.50%	7.50%
Commission's net OPEB liability/(asset)	\$(2,720)	\$(106,617)	\$(196,532)

The following presents the net OPEB liability/(asset) of the Commission, as well as what the Commission's net OPEB liability/(asset) 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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Healthcare cost trend rates	6.00% decreasing to 3.50%	7.00% decreasing to 4.50%	8.00% decreasing to 5.50%
Commission's net OPEB liability/(asset)	\$(139,698)	\$(106,617)	\$(68,293)

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, 2022, the Commission recognized OPEB expense of \$702. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Commission contributions subsequent to measurement date	\$ 26,161	\$ -
Net difference between projected and actual earnings on plan investments	-	95,391
Difference between expected and actual experience	118,465	93,495
Changes of assumptions	-	143,134
Total	<u>\$ 144,626</u>	<u>\$ 332,020</u>

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2022

The \$26,161 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, 2023. 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,	
2023	\$ (52,469)
2024	(53,049)
2025	(52,555)
2026	(56,669)
2027	280
Thereafter	907
Total	\$ (213,555)

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, 2022, 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.

Note 15 - Adoption of New Standard

As of July 1, 2021, the Commission adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

	<u>Governmental Activities</u>
Net Position, July 1, 2021	\$ 21,500,231
Restatement:	
Right-to-use assets	428,371
Lease liability	<u>(428,371)</u>
Net Position, July 1, 2021, as restated	<u><u>\$ 21,500,231</u></u>

As of the result of the implementation of GASB 87, Leases, \$428,371 in lease liabilities for leases related to the Commission has been added to beginning balance presented above. As these lease liabilities are offset by an equal amount of lease assets, the Commission does not report a restatement to beginning net position for the implementation of GASB 87.



Required Supplementary Information
For the Year Ended June 30, 2022

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)

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, 2022

	Budgeted amounts		Actual Amounts	Variance with Final budget - Positive (negative)
	Original	Final		
Revenues				
Prop 10 - Tax Apportionment	\$ 9,819,565	\$ 9,819,565	\$ 6,105,031	\$ (3,714,534)
Prop 56 Backfill	-	-	2,046,138	2,046,138
First 5 California IMPACT	712,514	712,514	679,724	(32,790)
CSPP-COE/Preschool QRIS Block Grant	258,830	258,830	251,119	(7,711)
QCC-Quality Counts California	229,775	229,775	211,905	(17,870)
Leshner Ready Kids	235,000	235,000	230,000	(5,000)
MHSA Grant/Triple P	82,000	82,000	111,741	29,741
Community Engagement Grants	50,000	50,000	175,000	125,000
Other public funds	1,375,898	1,375,898	2,673,629	1,297,731
Other grants	100,000	100,000	155,000	55,000
Interest income	100,000	100,000	98,982	(1,018)
Unrealized loss	-	-	(245,573)	(245,573)
Other revenue	-	-	35,263	35,263
Total Revenues	12,963,582	12,963,582	12,527,959	(435,623)
Expenditures				
Current				
Program expenditures				
Early care and education	1,838,725	1,838,725	1,291,834	546,891
Family support	3,635,391	3,635,391	2,893,923	741,468
Early intervention	1,592,848	1,592,848	1,919,847	(326,999)
Community Information and Education	858,607	858,607	154,440	704,167
Salaries and employee benefits	3,496,329	3,496,329	3,131,503	364,826
Other program expenditures	619,360	619,360	998,249	(378,889)
Strategic Information & Planning:				
Salaries and employee benefits	431,760	431,760	195,517	236,243
Other evaluation expenditures	357,569	357,569	126,038	231,531
Administrative:				
Salaries and employee benefits	1,118,303	1,118,303	887,153	231,150
Other administrative expenditures	524,203	524,203	440,393	83,810
Capital Outlay	-	-	3,831,862	(3,831,862)
Debt Service				
Principal	-	-	121,658	(121,658)
Interest	-	-	16,844	(16,844)
Total Expenditures	14,473,095	14,473,095	16,009,261	(1,536,166)
Excess (deficiency) of revenues over (under) expenditures	(1,509,513)	(1,509,513)	(3,481,302)	(1,971,789)
Other financing sources (uses)				
Lease issuance	-	-	3,768,418	(3,768,418)
Total other financing sources (uses)	-	-	3,768,418	(3,768,418)
Net Change in Fund Balance	\$ (1,509,513)	\$ (1,509,513)	287,116	\$ 1,796,629
Fund Balance, Beginning of Year			18,599,840	
Fund Balance, End of Year			\$ 18,886,956	

First 5 Contra Costa Children and Families Commission
 Contra Costa County Employees' Retirement Association –
 Schedule of Proportionate Share of the Net Pension Liability/(Asset)
 Last 10 Years as of June

	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of the net pension liability	0.141%	0.164%	0.173%	0.159%	0.202%	0.171%	0.106%	0.314%
Proportionate share of the net pension liability (asset)	\$ 1,683,167	\$ 2,465,341	\$ 2,423,899	\$ 1,289,083	\$ 2,881,759	\$ 1,480,016	\$ 487,008	\$ (763,759)
Covered payroll	\$ 1,735,009	\$ 1,962,961	\$ 2,140,380	\$ 2,405,397	\$ 2,525,004	\$ 2,511,538	\$ 2,398,684	\$ 2,846,338
Proportionate share of the net pension liability /(asset) as a percentage of covered payroll	97.01%	125.59%	113.25%	53.59%	114.13%	58.93%	20.30%	-26.83%
Plan fiduciary net position as a percentage of the total pension liability	85.25%	82.24%	84.16%	91.18%	85.09%	91.46%	95.62%	102.17%
Measurement date	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021

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

First 5 Contra Costa Children and Families Commission
 Contra Costa County Employees' Retirement Association –
 Schedule of Pension Contributions
 Last 10 Years as of June

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contributions	\$ 594,757	\$ 604,348	\$ 636,711	\$ 660,452	\$ 659,815	\$ 615,504	\$ 703,170	\$ 858,000
Contributions in relation to the actuarially determined contribution	<u>594,757</u>	<u>604,348</u>	<u>636,711</u>	<u>660,452</u>	<u>659,815</u>	<u>615,504</u>	<u>703,170</u>	<u>858,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,852,141	\$ 2,025,525	\$ 2,204,354	\$ 2,488,297	\$ 2,747,667	\$ 2,607,465	\$ 2,930,043	\$ 2,808,304
Contributions as a percentage of covered payroll	32.11%	29.84%	28.88%	26.54%	24.01%	23.61%	24.00%	30.55%

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

First 5 Contra Costa Children and Families Commission
Schedule of Changes in the Commission's Net OPEB Liability/(Asset)
Last 10 Years as of June

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB Liability					
Service cost	\$ 32,608	\$ 34,728	\$ 35,770	\$ 33,804	\$ 34,537
Interest on the total OPEB liability	64,455	68,828	73,368	64,114	66,983
Changes in assumptions	-	-	(52,714)	-	(131,848)
Differences between expected and actual experience	-	-	(158,097)	(4,415)	138,209
Benefit payments, including refunds of employee contributions	<u>(27,243)</u>	<u>(36,565)</u>	<u>(32,954)</u>	<u>(45,214)</u>	<u>(55,152)</u>
Net change in total OPEB liability	69,820	66,991	(134,627)	48,289	52,729
Total OPEB liability - beginning	<u>972,633</u>	<u>1,042,453</u>	<u>1,109,444</u>	<u>974,817</u>	<u>1,023,106</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>	<u><u>\$ 1,023,106</u></u>	<u><u>\$ 1,075,835</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 52,344	\$ 45,720	\$ 67,165	\$ 85,093	\$ 31,916
Net investment income	50,176	47,514	57,293	49,736	198,872
Administrative expenses	(367)	(403)	(177)	(454)	(368)
Other expense	-	(1,021)	-	-	-
Benefit payments	<u>(27,243)</u>	<u>(36,565)</u>	<u>(32,954)</u>	<u>(45,214)</u>	<u>(55,152)</u>
Net change in plan fiduciary net position	74,910	55,245	91,327	89,161	175,268
Plan fiduciary net position - beginning	<u>696,541</u>	<u>771,451</u>	<u>826,696</u>	<u>918,023</u>	<u>1,007,184</u>
Plan fiduciary net position - ending (b)	<u>771,451</u>	<u>826,696</u>	<u>918,023</u>	<u>1,007,184</u>	<u>1,182,452</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>	<u><u>\$ 15,922</u></u>	<u><u>\$ (106,617)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	74.00%	74.51%	94.17%	98.44%	109.91%
Covered employee payroll	\$ 1,085,000	\$ 1,085,000	\$ 827,457	\$ 852,281	\$ 877,849
Net OPEB liability as percentage of covered employee payroll	24.98%	26.06%	6.86%	1.87%	-12.15%

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

First 5 Contra Costa Children and Families Commission
Schedule of the Commission's OPEB Contributions
Last 10 Years as of June

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contributions	\$ 30,875	\$ 35,444	\$ 76,640	\$ 31,916	\$ 12,263
Contributions in relation to the actuarially determined contribution	<u>30,875</u>	<u>35,444</u>	<u>76,640</u>	<u>31,916</u>	<u>26,161</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,898)</u>
Covered employee payroll	\$ 1,085,000	\$ 827,457	\$ 852,281	\$ 877,849	\$ 732,387
Contributions as a percentage of covered employee payroll	2.85%	4.28%	8.99%	3.64%	3.57%

*Fiscal year 2018 was the first year of implementation; therefore, only five 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, debt service or other financing sources and uses.

The Commission expenditures exceeded its appropriations by \$1,536,166 due to the recognition of the inception of the lease for the office building.



Supplementary Information
For the Year Ended June 30, 2022

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)

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, 2022

Program	Source	Revenue CCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	CCFC Program Funds*	\$ 679,724	\$ 679,724	\$ -	\$ -	\$ -
	County, Local Funds	-	-	-	-	-

* \$70,094 HUB funding received from First 5 San Francisco is *not included* in IMPACT (\$679,724).



Compliance Reports

For the Year Ended June 30, 2022

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)



**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
Concord, 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 (Commission), a component unit of the County of Contra Costa, California (County), as of and for the year ended June 30, 2022, 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 10, 2022. Our report contained an emphasis of matter regarding the Commission’s adoption of Governmental Accounting Standards Board Statement No. 87, *Leases*, effective July 1, 2021.

Report on 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a material weakness.

Report on 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*.

Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 10, 2022

2022-001

Financial Reporting

Type of Finding: *Material Weakness*

Criteria:

Management is responsible for taking responsibility for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded.

Condition:

Material Weakness – During the course of our engagement, we identified material audit adjustments to cash (fair market value).

Context:

During our audit, we identified that the cash and investments balances had not been adjusted to the fair market value amount for amounts held in the County Pool resulting in an audit adjustment of \$245,573 to decrease cash and investment income.

Repeat Finding from Prior Year(s):

No.

Cause:

Management did not adequately account for the Commission's proportionate share of the County's Investment Pool fair market value loss.

Effect:

Without the audit adjustment identified above, the financial statements were materially misstated.

Recommendation:

We recommend that management strengthen its procedures to ensure that all financial activities are reflected in the financial statements.

Views of Responsible Officials:

Management does not agree with this finding. The Commission considers the funds held in the County's Investment Pool to be cash equivalents due to their highly liquid nature and therefore did not record the Fair Market Value Adjustment. Investment income is allocated to the Commission on a quarterly basis. The Fair Market Value adjustment is only an accounting entry because deposits and withdrawals from the County's Investment Pool are made on the basis of \$1 and not Fair Market Value. Going forward, the Commission will evaluate the Fair Market Value of the County's Investment Pool during the year-end closing process to determine if an adjustment needs to be made.



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 Opinion

We have audited the First 5 Contra Costa Children and Families Commission's (Commission), a component unit of the County of Contra Costa, California, compliance with the requirements specified in *the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2022.

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, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission’s compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 10, 2022