

Financial Statements

For the Year Ended June 30, 2025

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, 2025, 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 First 5 Contra Costa Children and Families Commission, as of June 30, 2025, 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

As discussed in Note 15 to the financial statements, the Commission has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. 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 the Commission's 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 related ratios, 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 GAAS, 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 GAAS. 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 October 23, 2025, 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
October 23, 2025

This Management 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, 2025. This information should be read in conjunction with the financial statements and the notes to the financial statements (beginning on page 11).

Fiscal Year 2025 Financial Highlights

Financial highlights of the year include the following:

At the close of fiscal year (FY) 2024-25, the Commission's assets plus deferred outflows exceeded its liabilities plus deferred inflows by \$18,408,519 (net position), a decrease of \$1,647,575 (8.2%) from the previous year. Of this amount, \$1,381,405 was attributable to a reduction in deferred outflows of resources for pension and for other post-employment benefits (OPEB). Unrestricted net position of \$15,321,561 is available to meet the Commission's ongoing obligations.

Total Commission revenues for FY 2024-25 equaled \$9,717,677, a decrease of \$103,150 (1.1%) from the prior year. The revenue consisted of Contra Costa's Propositions 10 and 56 tax allocations by birth rate, the California Electronic Cigarette Excise Tax (CECET), and project specific funding from First 5 California and other public contracts including First 5 California IMPACT Legacy, IMPACT HUB, Quality Counts California (QCC), California State Preschool Program (CSPP), the Children & Youth Behavioral Health Initiative (CYBHI), Children with Disabilities Inclusion funding (Measure X), other foundation grants, and interest income.

Contra Costa's FY 2024-25 Proposition 10 tax revenue of \$4,095,311 decreased 16.3% from the previous year's total of \$4,894,409. This decrease is similar to decreases across the State in Prop 10 revenue, as well as ongoing decreases in Prop 56 revenue, corresponding with the decline in tobacco use due to the two dollar per pack tobacco tax, as well as the passage of Prop 31, the flavor ban. When Prop 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 2024-25 of \$1,789,558, a decrease of 7.0% from last year's total of \$1,925,267. CECET resulted in \$73,842 in revenue, a decrease of \$67,330 (47.7%) from the previous year's total of \$141,172, due to having received only three fiscal quarters of revenue at the time of publication.

Total expenses for FY 2024-25 were \$11,317,727, an increase of \$939,254 (9.1%) from the previous year. The increase during FY 2024-25 can largely be attributed to increases in spending at the program level, including increases of \$773,392 in Early Intervention and \$366,781 in Strengthening Families, which increases were offset by year over year savings in Salaries and Benefits of \$241,719 due to vacant positions that were not filled.

During FY 2024-25, total Commission revenues of \$9,717,677 exceeded adopted budgeted revenues of \$9,273,160 by \$444,517 while actual expenditures of \$10,742,426 were less than the adopted budget amount of \$12,512,370 by \$1,769,944. These variances reduced the need to draw down reserves from the budgeted amount by more than \$2.2 million, from \$3,239,210 to \$1,024,749. After accounting for Other Financing Sources (uses) of \$53,190, the net reduction to fund balance totals \$971,559, leaving a fund balance of \$16,940,021 at FY 2024-25 year-end.

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, and
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 a 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 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, 2025

The following is a summary of the Commission's Statement of Net Position comparing balances at June 30, 2025 to June 30, 2024.

	Governmental Activities		
	2025	2024	Change
Assets			
Current and other assets	\$ 18,062,526	\$ 18,651,852	\$ (589,326)
Capital assets, net of depreciation/amortization	6,331,709	6,841,733	(510,024)
Total Assets	24,394,235	25,493,585	(1,099,350)
Deferred outflows of resources	1,455,288	1,721,397	(266,109)
Liabilities			
Current liabilities	1,474,985	1,067,220	407,765
Noncurrent liabilities	5,565,928	6,819,229	(1,253,301)
Total Liabilities	7,040,913	7,886,449	(845,536)
Deferred inflows of resources	400,091	387,735	12,356
Net Position			
Net investment in Capital Assets	3,086,958	3,332,668	(245,710)
Unrestricted	15,321,561	16,723,426	(1,401,865)
Total Net Position	\$ 18,408,519	\$ 20,056,094	\$ (1,647,575)

The Commission's net position in governmental activities decreased from \$20,056,094 in FY 2023-24 to \$18,408,519 in FY 2024-25. The \$1,647,575 decrease in net position was due to a slight decrease in total revenue exacerbated by a significant increase in total spending in FY 2024-25. Current and other assets total \$18,062,526, a decrease of \$589,326 (3.2%) from the previous year.

The most significant portion of the Commission's assets is in cash and investments (\$15,693,280). These assets decreased \$355,931 from the prior year due in part to a decrease in Prop 10 and Prop 56 revenues. Cash is maintained in Contra Costa County's cash and investment pool where interest earned on the Commission's balance gets apportioned to the Commission.

Another component of current assets is the due from other governments balance, which had a balance of \$1,610,823 at June 30, 2025. These receivables are due from the State for the May and June 2025 Prop 10 tax revenues (\$670,544), SMIF (\$42,695), CECET (\$22,929), First 5 California IMPACT Legacy Hub (HUB) grant (\$18,944), First 5 California Regional Technical Assistance for Home Visiting Coordination and Integration (RTA-HVC) grant (\$63,695), the First 5 California IMPACT Legacy grant (\$200,146), Contra Costa County Measure X Children with Disabilities Inclusion project (\$326,976), California State Preschool Program grant (\$85,850), Quality Counts California (\$128,752), and the CocoKids Memorandum of Understanding (\$50,292).

First 5 Contra Costa Children and Families Commission

Management's Discussion and Analysis

June 30, 2025

Current liabilities for the year ending June 30, 2025 increased \$407,765 from the prior year due largely to increases in grants and contracts payable (\$321,557) and grants and contracts payable to related parties (\$507). Current liabilities at June 30, 2025 also include accounts payable to vendors of \$195,332, 4th quarter contract payments of \$644,872 payable to service providers and related parties, accrued wages and benefits of \$282,301, the current portions of compensated absences of \$39,422, lease liability of \$296,126, and SBITA liability of \$16,932.

Noncurrent liabilities totaling \$5,565,928 consist of the long-term portion of accrued vacation and sick time more likely than not to be used in the amount of \$354,794, lease liability of \$2,912,552, net pension liability of \$1,923,632, net OPEB liability of \$355,809, and SBITA liability of \$19,141.

In 2025, the Commission reported deferred outflows of resources and deferred inflows of resources in the amounts of \$1,455,288 and \$400,091 respectively. The deferred outflows/(inflows) of resources represent amounts that will increase/(decrease) pension and OPEB expenses in subsequent periods.

The following is a summary of the Commission's revenue, expense, and change in net position comparing FY 2024-25 with FY 2023-24:

	Governmental Activities		
	2025	2024	Change
Program Revenues			
Prop 10 Tax	\$ 4,095,311	\$ 4,894,409	\$ (799,098)
CA Electronic Cigarette Tax	73,842	141,172	(67,330)
Prop 56	1,789,558	1,925,267	(135,709)
Grant income	2,912,199	1,952,712	959,487
Total Program Revenues	8,870,910	8,913,560	(42,650)
General Revenues			
Interest income	690,769	752,990	(62,221)
Unrealized gain	97,914	125,985	(28,071)
Rental Income	34,700	23,294	11,406
Miscellaneous revenue	23,384	5,000	18,384
Total Revenues	9,717,677	9,820,829	(103,152)
Expenses			
Child development	11,147,873	10,177,232	970,641
Interest expense	169,854	201,241	(31,387)
Total Expenses	11,317,727	10,378,473	939,254
Change in net position	(1,600,050)	(557,644)	(1,042,406)
Net Position, beginning, as previously reported	20,056,094	20,613,738	(557,644)
Adjustments (Note 15)	(47,525)	-	(47,525)
Net Position, beginning, as restated	20,008,569	20,613,738	(605,169)
Net position, end of year	\$ 18,408,519	\$ 20,056,094	\$ (1,647,575)

Although Proposition 10 and Proposition 56 revenues both experienced significant declines totaling \$934,807 (\$799,098, 16.3% and \$135,709, 7.0%) respectively, these losses were offset by increases in grant income of \$959,487 (49.1%). Therefore, the difference is found on the expenditure side.

The Commission's total expenses increased \$939,254 (9.1%) from the prior year. Expenses aligned with the Commission's 2023-2026 Strategic Plan. The Early Intervention focus area continued training and engagement of early intervention providers, child care providers, pediatricians, and parents on developmental screenings, developmental playgroups, and parent education. With funding from the Children and Youth Behavioral Initiative grant, Triple P Positive Parenting seminars for parents were expanded.

The Early Childhood Education (ECE) focus area continued professional development and training of early care and education providers through Communities of Practice, webinars, and site-specific coaching, with services focused on continuous quality improvement of early learning settings. The ECE focus area continued efforts through the Family Child Care Partner Program to provide ongoing peer-to-peer guidance, support, and mentoring to family child care providers. First 5 Contra Costa concluded a community engagement and landscape analysis to develop a plan for enhancing inclusion supports for the child care field, and then significantly expanded its professional development and supports to help child care providers adopt inclusion practices to better serve children with disabilities, developmental delays or other socio-emotional needs. ECE efforts additionally continued capacity building for educators and parents related to early literacy, language development, and social emotional learning. First 5 Contra Costa also led a stakeholder-engagement process to advocate for and support a research-based study to design a child care wage augmentation program; the organization is now overseeing the evaluation of the Child Care Wage Boost pilot.

A new and expanded focus of the Ready Kids East County effort began with the goal of increasing school readiness and family resiliency for families with black and African American children under age six. The effort began focusing on even younger children and is working to include more service providers working directly with expectant parents and families with infants. The effort continues to involve partnerships with school districts, county departments, community-based organizations, city leaders, other parent advocates, and educators.

The Strengthening Families focus area continues to ensure in-person and virtual classes, events, child development screenings, diaper and car seat giveaways, and activities for families at the five First 5 Centers across the county. Additionally, Community Resource Specialists at the First 5 Centers continued to assist and connect parents to community services. This fiscal year, First 5 Contra Costa also concluded a landscape analysis of home visiting programs operating in the county, and a multi-part learning series that engaged representatives from a variety of home visiting programs in discussions about possible ways to collaborate to enhance access, quality and impact of existing programs. First 5 Contra Costa also held four quarterly home visiting trainings for large groups of home visitors on topics of interest. Finally, First 5 Contra Costa launched a new Parent Advisory Group comprised of parents with young children to provide input on First 5 Contra Costa's efforts, and to enhance their knowledge of the local early childhood landscape.

At the end of FY 2024-25, net position had decreased from FY 2023-24 by \$1,647,575.

Financial Analysis of the Governmental Fund

Fluctuations in the Commission's general fund revenues and expenditures from the year ending June 30, 2025, 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

FY 2024-25 General Fund revenue receipts totaled \$9,717,677 or \$444,517 (4.8%) more than budget. Collectively, Proposition 10, Proposition 56, and CECET revenues totaled \$5,958,711, falling short of budget by \$651,169 (9.9%) due to declining use of tobacco products and declining birthrates; CECET was particularly low for FY 2024-25, because only three quarters of revenue had been received by the time of publication. Expenditures totaled \$10,742,426 and were under budget by \$1,769,944 (14.1%). Total expenditures were less than budgeted because of under-spending in program areas due to staff vacancies and other changes.

Capital Assets and Debt Administration

Capital Assets

The Commission's capital assets consist of land, buildings and improvements, furniture and fixtures, and right-to-use lease and subscription-based IT arrangement assets. Total capital assets equal \$6,331,709, with the only addition being entering into a subscription based information technology arrangement for \$53,190. The Commission recognized \$167,277 in depreciation expense for buildings and improvements, and furniture and fixtures. The Commission also recognized net amortization of \$357,067 for the right-to-use leased assets (office space) and \$38,870 for subscription IT assets. This all resulted in a net change in capital assets of \$510,024.

Long Term Obligations

The Commission's long-term obligations consist of lease liability and subscription-based IT arrangements that span multiple fiscal years at year-end. These "noncurrent liabilities" decreased \$317,504 from the previous year, largely due to regularly scheduled debt service payments on the liabilities.

Economic Outlook and Major Initiatives

California Proposition 10 tobacco tax revenues decreased in FY 2024-25 as tobacco sales continued a downward trajectory. Prop 10 income will continue to drop in FY 2025-26 and be accelerated by the passage of Proposition 31. And, while Prop 56 was intended to serve as backfill monies for anticipated Prop 10 decline, these revenues do not fill the gap entirely, especially as the impact of Prop 31 is anticipated to be fully experienced in FY 2025-26 after which there will be a leveling off. Capital Matrix Consulting, who First 5 California retains to provide revenue projections statewide, "conservatively" estimates that statewide revenue totals will decline 6.0% each year from FY 2025-26 through FY 2027-28, after which the decline is projected to slow to 3.6% for the next two fiscal years as tobacco consumption declines in California.

California's long-term trend of a declining birth rate is projected to continue, dropping from 10.5 births per 1,000 people in 2025 to 8.0 per 1,000 by 2070. In 2025, Contra Costa County is also expected to experience a declining birth rate, a decrease of 2.1% from 2024 to 2025, and a decrease of 1.3% from 2025 to 2026, before leveling off in 2027 to a decrease of only 0.2%. These decreases translate into corresponding revenue declines totaling 12.9%, from \$6,403,954 in FY 2025-26 to \$5,849,417 in FY 2028-29 (approximately 3.2% per year).

The Commission ended the 2024-25 fiscal year by drawing down reserves totaling \$971,559 to accomplish its programming as outlined in the 2023-2026 Strategic Plan.

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 Hwy, Suite 120, Concord, California 94520.

First 5 Contra Costa Children and Families Commission

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 15,693,280
Accounts receivable	144,850
Due from other governments	1,610,823
Prepaid items	506,573
Total Current Assets	<u>17,955,526</u>
Noncurrent Assets	
Note receivable	107,000
Capital assets not being depreciated	331,538
Capital assets being depreciated, net	3,209,893
Right to use leased assets being amortized, net	2,750,385
Right to use subscription IT assets being amortized, net	39,893
Total Noncurrent Assets	<u>6,438,709</u>
Total Assets	<u>24,394,235</u>
Deferred outflows of resources	
Deferred outflows related to pensions	1,089,206
Deferred outflows related to OPEB	366,082
Total Deferred Outflows of Resources	<u>1,455,288</u>
Liabilities	
Current Liabilities	
Accounts payable	195,332
Grants and contracts payable	634,073
Grants and contracts payable to related parties	10,799
Accrued wages and benefits	282,301
Compensated absences, current portion	39,422
Lease liability, current portion	296,126
SBITA liability, current portion	16,932
Total Current Liabilities	<u>1,474,985</u>
	(Continued)

First 5 Contra Costa Children and Families Commission

Statement of Net Position

June 30, 2025

	Governmental Activities
Noncurrent Liabilities	
Compensated absences	\$ 354,794
Net pension liability	1,923,632
Net OPEB liability	355,809
Lease liability	2,912,552
SBITA liability	19,141
Total Noncurrent Liabilities	5,565,928
Total Liabilities	7,040,913
Deferred inflows of resources	
Deferred inflows related to pensions	219,866
Deferred inflows related to OPEB	180,225
Total Deferred Inflows of Resources	400,091
Net position	
Net investment in capital assets	3,086,958
Unrestricted	15,321,561
Total Net Position	\$ 18,408,519

First 5 Contra Costa Children and Families Commission

Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Operating Grants And Contributions</u>	<u>Governmental Activities</u>
Child development	\$ 11,147,873	\$ 8,870,910	\$ (2,276,963)
Interest expense	169,854	-	(169,854)
Total Governmental Activities	<u>\$ 11,317,727</u>	<u>\$ 8,870,910</u>	<u>(2,446,817)</u>
General Revenues			
Investment income			690,769
Unrealized gain			97,914
Rental income			34,700
Miscellaneous			23,384
Total General Revenues			<u>846,767</u>
Change in Net Position			(1,600,050)
Net Position, beginning, as previously reported			20,056,094
Change in accounting principle (Note 15)			<u>(47,525)</u>
Net Position, beginning, as restated			<u>20,008,569</u>
Net Position, June 30			<u>\$ 18,408,519</u>

First 5 Contra Costa Children and Families Commission

Governmental Fund Balance Sheet

June 30, 2025

	General Fund
Assets	
Cash and investments	\$ 15,693,280
Accounts receivable	144,850
Due from other governments	1,610,823
Prepaid items	506,573
Note receivable	107,000
	<u>107,000</u>
Total Assets	<u>\$ 18,062,526</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 195,332
Grants and contracts payable	634,073
Grants and contracts payable to related parties	10,799
Accrued wages and benefits	282,301
	<u>282,301</u>
Total Liabilities	<u>1,122,505</u>
Fund Balances	
Nonspendable	613,573
Committed	4,498,325
Assigned	3,520,975
Unassigned	8,307,148
	<u>8,307,148</u>
Total Fund Balances	<u>16,940,021</u>
Total Liabilities and Fund Balances	<u>\$ 18,062,526</u>

First 5 Contra Costa Children and Families Commission
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2025

Fund balance of governmental fund	\$ 16,940,021
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.	6,331,709
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	1,089,206
Deferred inflows of resources related to pensions	(219,866)
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	366,082
Deferred inflows of resources related to OPEB	(180,225)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(1,923,632)
Net OPEB liability	(355,809)
Lease liability	(3,208,678)
SBITA liability	(36,073)
Compensated absences	(394,216)
Net Position of Governmental Activities	<u>\$ 18,408,519</u>

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, 2025

	<u>General Fund</u>
Revenues	
Prop 10 Tobacco Tax	\$ 4,095,311
CA Electronic Cigarette Excise Tax	73,842
Prop 56	1,789,558
Grant income	2,912,199
Interest income	690,769
Unrealized gain	97,914
Rental income	34,700
Other revenue	23,384
	<u>9,717,677</u>
Total Revenues	
Expenditures	
Current	
Program Expenditures	
Early care and education	669,585
Family support	3,128,010
Early intervention	1,508,866
Policy advocacy & communication strategies	35,529
Salaries and employee benefits	2,799,728
Other program expenditures	402,477
Evaluation	
Salaries and employee benefits	264,416
Other evaluation expenditures	183,402
Administrative	
Salaries and employee benefits	1,209,865
Capital outlay	53,190
Debt Service	
Principal	317,504
Interest	169,854
	<u>10,742,426</u>
Total Expenditures	
Excess (deficiency) of revenues over (under) expenditures	<u>(1,024,749)</u>
Other financing sources (uses)	
SBITA issued	53,190
	<u>53,190</u>
Total Other Financing Sources (Uses)	
Net change in fund balance	(971,559)
Fund balance, July 1	<u>17,911,580</u>
Fund balance, June 30	<u>\$ 16,940,021</u>

First 5 Contra Costa Children and Families Commission
Reconciliation of the Change in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balance - total governmental fund \$ (971,559)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balance because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of capital assets are expensed over their estimated useful lives as depreciation expense.

Capital outlay	53,190
Depreciation/amortization expense	(563,214)

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. (81,075)

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.

Leases and SBITA liability principal payments	317,504
Issuance of SBITA	(53,190)

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

Change in deferred outflows related to OPEB	(154,012)
Change in deferred inflows related to OPEB	(21,392)
Change in net OPEB liability	107,901

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

Change in deferred outflows related to pensions	(1,227,393)
Change in deferred inflows related to pensions	9,036
Change in net pension liability	984,154

Change in net position of governmental activities	\$ (1,600,050)
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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, and
- 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 and subscription 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, Prop 56 revenue, California Electronic Cigarette Excise Tax, 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, leased assets, and subscription 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.

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 35 years.

Right to use leased assets are recognized at the lease commencement date and represent the Commission's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 11 years.

Subscription assets are recognized at the subscription commencement date and represent the Commission's right to use the underlying IT asset for the subscription term. Subscription assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any incentives received at or before the commencement of the term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. They are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 3 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, personal holiday time, and sick 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. Sick time accrued is for time that has been earned, is available for use, and is more likely than not to be used in the future.

Grants and Contracts Payable

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

Post-Employment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Cash and Investments

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 September 30, 2024. The County Pool was assigned a fund credit quality rating of "AAAf" and a fund volatility rating of "S1+". The Contra Costa County Treasury Oversight Committee conducts County Pool oversight. Cash on deposit in the County Pool 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, 2025:

Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g., prepaid items) 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 assets 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 assets 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. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. As of July 1, 2024, the Commission adopted GASB Statement No. 101, *Compensated Absences*. The effect of the implementation of this standard on beginning net position is disclosed in Notes 3 and 15.

GASB Statement No. 102 – In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management has evaluated whether there are risk related to the Commission's vulnerabilities due to certain concentrations or constraints that require disclosure. No such risks were identified for the year ended June 30, 2025.

Note 2 - Cash and Investments

Cash and investments consisted of the following at June 30, 2025:

Cash in Contra Costa County Pool	\$ 15,692,780
Imprest cash	<u>500</u>
Total Cash and Investments	<u>\$ 15,693,280</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 Commission’s investment policy is to follow the County Pool’s guidelines, which limit investments to securities with maturities less than five years and require collateralization of deposits in excess of FDIC insurance. 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 on the Pool 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.

As of June 30, 2025, the Commission had the following investments:

Investment	Fair Value	WAM Years
County Investment Pool	\$ 15,692,780	0.69
Total Investments	<u>\$ 15,692,780</u>	

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Pool was assigned a fund credit quality rating of “AAAF” and a fund volatility rating of “S1+”.

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. At June 30, 2025, the Commissions’ deposits were not exposed to custodial credit risk as all funds were held in the County Pool, which is collateralized in accordance with State law.

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, 2025, 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, 2025, of \$15,692,780 is an uncategorized input, not defined as a level 1, level 2 or level 3 input and approximates fair value. The carrying amount of deposits held with the County Pool was \$15,845,841 with the difference of \$153,061 representing outstanding checks.

Note 3 - Compensated Absences

Changes in the compensated absences liability for the fiscal year ended June 30, 2025, are summarized as follows:

	Balance June 30, 2024 As Restated	Net Change	Balance June 30, 2025	Amount Due within one year
Compensated Absences	\$ 313,141	\$ 81,075	\$ 394,216	\$ 39,422

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2025

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, 2025, were as follows:

Due from State Commission	
Prop 10 revenue for	
May 2025	\$ 319,922
June 2025	350,622
SMIF	42,695
California Electronic Cigarette Excise Tax	22,929
First 5 California IMPACT Legacy Hub (HUB) Grant	18,944
First 5 CA Regional Technical Assistance for Home Visiting Coordination & Integration Grant (RTA-HVC)	63,695
First 5 CA IMPACT Legacy Grant	200,146
Employment and Human Services Measure X Children with Disabilities Inclusion Project	326,976
California State Preschool Programs	85,850
Quality Counts California	128,752
CoCoKids Memorandum of Understanding	50,292
Total due from other governments	\$ 1,610,823

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 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, 2025.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2025

Note 6 - Capital Assets

Governmental activities	July 1, 2024	Additions	Deletions	June 30, 2025
Capital assets, not being depreciated				
Land	\$ 331,538	\$ -	\$ -	\$ 331,538
Total capital assets, not being depreciated	331,538	-	-	331,538
Capital assets, being depreciated:				
Buildings and improvements	4,198,414	-	-	4,198,414
Furniture and fixtures	260,291	-	-	260,291
Total capital assets being depreciated	4,458,705	-	-	4,458,705
Less accumulated depreciation for:				
Buildings and improvements	(967,981)	(125,998)	-	(1,093,979)
Furniture and fixtures	(113,554)	(41,279)	-	(154,833)
Total accumulated depreciation	(1,081,535)	(167,277)	-	(1,248,812)
Net capital assets being depreciated	3,377,170	(167,277)	-	3,209,893
Governmental activities capital assets, net	3,708,708	(167,277)	-	3,541,431
Right to use leased assets being amortized				
Right to use assets - office space and equipment	4,099,608	-	(231,552)	3,868,056
Total right to use leased assets being amortized	4,099,608	-	(231,552)	3,868,056
Less accumulated amortization for:				
Right to use assets - office space and equipment	(992,156)	(357,067)	231,552	(1,117,671)
Net right to use leased assets	3,107,452	(357,067)	-	2,750,385
Right to use Subscription IT assets being amortized				
Software subscriptions	68,194	53,190	(68,194)	53,190
Less accumulated amortization for:				
Software subscriptions	(42,621)	(38,870)	68,194	(13,297)
Net right to use subscription IT assets	25,573	14,320	-	39,893
Governmental activities capital assets, net	\$ 6,841,733	\$ (510,024)	\$ -	\$ 6,331,709

Depreciation and amortization expense for the year ended June 30, 2025, amounted to \$563,214 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, 2025

Note 7 - Lease and SBITA Liabilities

Changes in lease & SBITA liabilities during the year ended June 30, 2025 are as follows:

Leases	July 1, 2024	Additions	Deletions	June 30, 2025	Due in One Year
Family resource centers	\$ 57,614	\$ -	\$ (22,088)	\$ 35,526	\$ 16,752
Admin office	3,418,328	-	(250,380)	3,167,948	275,948
Equipment	8,469	-	(3,265)	5,204	3,426
Subtotal Leases	3,484,411	-	(275,733)	3,208,678	296,126
Subscription IT liabilities	24,654	53,190	(41,771)	36,073	16,932
Total Lease and SBITA Liabilities	\$ 3,509,065	\$ 53,190	\$ (317,504)	\$ 3,244,751	\$ 313,058

The Commission leases office space from third parties for the administration office. As of June 30, 2025, the value of the lease liability was \$3,167,948. The Commission is required to make monthly payments of \$34,465 as of June 30, 2025. 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 family resource centers. As of June 30, 2025, the lease liability was \$35,526. The Commission is required to make monthly payments ranging from \$1,410 - \$6,750 with varying escalators each year on the respective anniversary dates. These leases run through June 30, 2027. The leases all have implied interest rates of 5.0%.

In the previous fiscal year, the Commission entered into a lease agreement for the use of copier at the administration office. As of June 30, 2025, the lease liability was \$5,204. The Commission is required to make quarterly payments of \$905. The lease runs through February 28, 2027. The lease has an implied interest rate of 4.92%.

The Commission recognized \$357,067 in amortization expense and \$169,854 in interest expense during the fiscal year ended June 30, 2025 related to leases.

In the current fiscal year, the Commission entered into a SBITA contract for the use of grant related software. As of June 30, 2025, the value of the subscription liability was \$36,073. The Commission is required to make annual principal and interest payments through December 2026. The subscription has an interest rate of 4.23%.

The Commission did not pay any interest on the SBITA during the current year and recognized \$38,870 in amortization for the new SBITA.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2025

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 296,126	\$ 153,765
2027	323,787	138,317
2028	332,255	121,941
2029	363,195	104,627
2030	396,136	85,720
2031-2034	1,497,179	126,782
	<u>\$ 3,208,678</u>	<u>\$ 731,152</u>

Remaining principal and interest payments on SBITA are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 16,932	\$ 1,556
2027	19,141	826
	<u>\$ 36,073</u>	<u>\$ 2,382</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, 2025 consisted of the following:

	<u>General Fund</u>
Fund Balance	
Nonspendable	
Prepaid Item	\$ 506,573
Note Receivable - Brighter Beginnings	107,000
Subtotal nonspendable	<u>613,573</u>
Committed	
Program Contractual Obligations	4,498,325
Assigned	
Elimination of FY25/26 budget deficit	3,520,975
Unassigned	
Unassigned	<u>8,307,148</u>
Total Fund Balance	<u>\$ 16,940,021</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, 2025:

Related Party	Fiscal Year 2024-25 Expenditures
CoCoKids Inc.	\$ 97,188
Total	\$ 97,188

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

Related Party	Balances Due June 30, 2025
CoCoKids Inc.	\$ 10,799
Total	\$ 10,799

The following table shows revenue with agencies represented by Commissioners and Alternate Commissioners for the fiscal year ended June 30, 2025:

Related Party	Fiscal Year 2024-25 Revenue
CoCoKids Inc.	\$ 50,292
Contra Costa County	826,831
Total	\$ 877,123

The Commission earned revenue totaling \$826,831 from Contra Costa County during the year ended June 30, 2025. This revenue was for Health Services, which includes Public Health and Behavioral Health Services Division/Mental Health, and for Employment and Human Services Department Measure X funding.

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, 2025, the Commission expended \$447,818 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. The plan provisions and benefit terms may be amended by the Contra Costa County Board of Retirement.

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

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

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

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

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

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.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2025

The Plan's provisions and benefits in effect at June 30, 2025 are summarized as follows:

	General	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Formula	2.0% @ 55	2.5% @ 67
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	70 (1)	70 (2)
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.24% - 16.32%	11.18% - 12.51%
Required employer contribution rates	26.90%	26.90%

(1) Or 50 with ten years of service credit

(2) Or 52 with five years of service credit

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

For the year ended June 30, 2025, contributions to the plan were as follows:

	General
Contributions - employer	\$ 590,642

Plan's Collective Net Pension Liability

As of June 30, 2025, the Commission reported a liability of \$1,923,632 for its proportionate share of the Plan's collective net pension liability.

The Commission's net pension liability for the Plan is measured as the proportionate share of the total net pension liability. The net pension liability of the Plan is measured as of December 31, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The Commission's proportion of the net pension liability is based on the Commission's actual 2024 compensation relative to the actual compensation of all participating employers. The Commission's proportionate share of the net pension liability, measured at December 31, 2023 and 2024 was as follows:

	General
Proportion - December 31, 2023	0.182%
Proportion - December 31, 2024	0.149%
Change in Proportion	-0.033%

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2025

For the year ended June 30, 2025, the Commission recognized pension expense of \$927,000. At June 30, 2025, 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	\$ 180,084	\$ 164,232
Changes in assumptions or other inputs	35,921	55,634
Net difference between projected and actual earnings on plan investments	602,348	-
Difference between expected and actual experience	270,853	-
Total	<u>\$ 1,089,206</u>	<u>\$ 219,866</u>

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	
2026	\$ 472,270
2027	556,745
2028	(93,436)
2029	(66,239)
Total	<u>\$ 869,340</u>

Actuarial Assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2023
Measurement Date	December 31, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	6.75%
Inflation	2.50%
Payroll Growth	3.00% (1)
Projected Salary Increase	3.55% - 12.00%
Investment Rate of Return	6.75% (2)
	Pub-2010 General Healthy Retiree
	Amount-Weighted Above-Median Mortality Table (3)
Mortality	

(1) Inflation of 2.50% per year plus "across the board" real salary increases of 0.5% per year

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

(3) Projected 30 years generationally with the two-dimensional MP-2021 projection scale

The underlying mortality assumptions and all other actuarial assumptions used in the December 31, 2023, valuation was based on the results of an experience study for the period January 1, 2021 through December 31, 2023.

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, 2023.

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 weighing 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	9.00%	5.59%
Small Cap Equity	2.00%	6.45%
International Developed Equity	5.00%	6.23%
Global Equity	10.00%	6.35%
Emerging Markets Equity	2.00%	7.89%
Short-Term Govt/Credit	14.00%	1.84%
US Treasury	3.50%	1.80%
Cash	3.00%	0.98%
Private Equity	15.00%	9.31%
Private Credit	13.00%	6.47%
Infrastructure	3.00%	7.20%
Real Estate - Debt	3.00%	5.00%
Real Estate - Value Add	3.00%	7.90%
Real Estate - Opportunistic	4.00%	9.70%
Hedge Funds	6.50%	3.50%
Multi-Sector Credit	4.00%	4.50%
Total	100%	

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

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

	<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	\$ 4,786,650	\$ 1,923,632	\$ (422,192)

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. The plan provisions and provision terms may be amended by the Commission's Board of Commissioners.

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	22
Total	23

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, 2025, the Commission made no cash contributions directly to the plan and recognized \$49,670 in implicit contributions.

Net OPEB Liability

The Commission's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3%, average including inflation
Investment Rate of Return	6.10% percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	8.0% for 2024 decreasing 0.25% per year to an ultimate rate of 4.5% for 2038 and later years

Mortality rates were based on the Society of Actuaries Pub-2010 General Healthy Retiree Amount- Weighted Above-Median Mortality Table fully generational using Scale MP-2021.

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	34.00%
Fixed Income	41.00%
REITS	17.00%
Commodities	3.00%
Inflation Assets	5.00%
Total	100.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.10 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
Balance at June 30, 2024 measurement date	\$ 1,457,360	\$ 993,650	\$ 463,710
Changes in the year			
Service cost	26,340	-	26,340
Interest on the total OPEB liability	78,892	-	78,892
Differences between Expected and Actual Experience	3,847	-	3,847
Changes of Assumptions	(85,997)	-	(85,997)
Contribution - employer	-	49,670	(49,670)
Net investment income	-	81,634	(81,634)
Benefit payments, including refunds of employee contributions	(99,943)	(99,943)	-
Administrative expense	-	(321)	321
Net changes	(76,861)	31,040	(107,901)
Balance at June 30, 2025 measurement date	\$ 1,380,499	\$ 1,024,690	\$ 355,809

Change in assumption

Changes in assumption include updating the discount rate and the long-term expected rate of return from 5.50% as of June 30, 2023 to 6.10% as of June 30, 2024.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2025

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health-Care Cost Trend Rates

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.1 percent) or 1-percentage-point higher (6.1 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	5.10%	6.10%	7.10%
Commission's net OPEB liability	\$ 535,144	\$ 355,809	\$ 205,453

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

	1% Decrease	Current Trend Rate	1% Increase
Healthcare cost trend rates	7.00% decreasing to 3.50%	8.00% decreasing to 4.50%	9.00% decreasing to 5.50%
Commission's net OPEB liability	\$ 255,232	\$ 355,809	\$ 476,972

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, 2025, the Commission recognized OPEB expense of \$79,034. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Commission contributions subsequent to measurement date	\$ 11,531	\$ -
Net difference between projected and actual earnings on plan investments	50,232	-
Difference between expected and actual experience	241,182	40,942
Changes of assumptions	63,137	139,283
Total	<u>\$ 366,082</u>	<u>\$ 180,225</u>

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2025

The \$11,531 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2026	\$ 22,645
2027	79,596
2028	35,233
2029	31,065
2030	26,323
Thereafter	<u>(20,536)</u>
Total	<u>\$ 174,326</u>

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, 2025, 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 - Restatement

Change in Accounting Principle

As of June 30, 2025, the Commission adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the beginning balance of compensated absences was increased by \$47,525 and beginning net position was decreased by \$47,525 as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	<u>July 1, 2024 As Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>July 1, 2024 As Restated</u>
Governmental Activities			
Net Position	<u>\$ 20,056,094</u>	<u>\$ (47,525)</u>	<u>\$ 20,008,569</u>

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Required Supplementary Information
For the Year Ended June 30, 2025

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, 2025

	Budgeted amounts		Actual Amounts	Variance with Final budget - Positive (negative)
	Original	Final		
Revenues				
Prop 10 Tobacco Tax	\$ 6,609,880	\$ 6,609,880	\$ 4,095,311	\$ (2,514,569)
CA Electronic Cigarette Excise Tax	-	-	73,842	73,842
Prop 56	-	-	1,789,558	1,789,558
First 5 California IMPACT	1,137,249	1,137,249	689,455	(447,794)
Measure X	1,226,031	1,226,031	672,687	(553,344)
CSPP-COE/Preschool QRIS Block Grant	-	-	251,119	251,119
QCC-Quality Counts California	-	-	389,977	389,977
CYBHI Children & Youth Behavioral Health Initiative	-	-	120,000	120,000
Other public funds	-	-	124,784	124,784
Other grants	100,000	100,000	664,177	564,177
Rental income	-	-	34,700	34,700
Interest income	200,000	200,000	690,769	490,769
Unrealized gain	-	-	97,914	97,914
Other revenue	-	-	23,384	23,384
Total Revenues	9,273,160	9,273,160	9,717,677	444,517
Expenditures				
Current				
Program expenditures				
Early care and education	795,240	795,240	669,585	125,655
Family support	3,516,575	3,516,575	3,128,010	388,565
Early intervention	1,616,651	1,616,651	1,508,866	107,785
Policy Advocacy & Communication Strategies	305,532	305,532	35,529	270,003
Salaries and employee benefits	3,202,872	3,202,872	2,799,728	403,144
Other program expenditures	410,623	410,623	402,477	8,146
Evaluation				
Salaries and employee benefits	508,976	508,976	264,416	244,560
Other evaluation expenditures	303,170	303,170	183,402	119,768
Administrative				
Salaries and employee benefits	1,162,976	1,162,976	1,145,389	17,587
Other administrative expenditures	689,755	689,755	64,476	625,279
Capital Outlay	-	-	53,190	(53,190)
Debt Service				
Principal	-	-	317,504	(317,504)
Interest	-	-	169,854	(169,854)
Total Expenditures	12,512,370	12,512,370	10,742,426	1,769,944

(Continued)

First 5 Contra Costa Children and Families Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund
(Continued)
For the Year Ended June 30, 2025

	Budgeted amounts		Actual Amounts	Variance with Final budget - Positive (negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,239,210)</u>	<u>\$ (3,239,210)</u>	<u>\$ (1,024,749)</u>	<u>\$ 2,214,461</u>
Other financing sources (uses)				
Subscription proceeds	<u>-</u>	<u>-</u>	<u>53,190</u>	<u>(53,190)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>53,190</u>	<u>(53,190)</u>
Net Change in Fund Balance	<u><u>\$ (3,239,210)</u></u>	<u><u>\$ (3,239,210)</u></u>	<u>(971,559)</u>	<u><u>\$ 2,267,651</u></u>
Fund Balance, Beginning of Year			<u>17,911,580</u>	
Fund Balance, End of Year			<u><u>\$ 16,940,021</u></u>	

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

Fiscal year ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Proportion of the net pension liability	0.164%	0.173%	0.159%	0.202%	0.171%	0.106%	0.314%	0.185%	0.182%	0.149%
Proportionate share of the net pension liability (asset)	\$ 2,465,341	\$ 2,423,899	\$ 1,289,083	\$ 2,881,759	\$ 1,480,016	\$ 487,008	\$ (763,759)	\$ 3,135,224	\$ 2,907,786	\$ 1,923,632
Covered payroll	\$ 1,962,961	\$ 2,140,380	\$ 2,405,397	\$ 2,525,004	\$ 2,511,538	\$ 2,398,684	\$ 2,846,338	\$2,718,488	\$2,870,849	\$2,636,199
Proportionate share of the net pension liability/(asset) as a percentage of covered payroll	125.59%	113.25%	53.59%	114.13%	58.93%	20.30%	-26.83%	115.33%	101.29%	72.97%
Plan fiduciary net position as a percentage of the total pension liability	82.24%	84.16%	91.18%	85.09%	91.46%	95.62%	102.17%	85.55%	87.14%	91.01%
Measurement date	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024

** For the measurement period ended December 31, 2024, demographic assumptions and inflation rate were changed in accordance to the Segal Actuarial Experience Study report dated April 30, 2025. For the measurement period ended December 31, 2024, the discount rate remained at 6.75%, this reflects a change in the price inflation assumption to 2.50%.

Administrative expenses increased to 1.18% from 1.17% of payroll allocated between the employer and member based on normal cost (before expenses) for the employer and member. This assumption is subject to change each year based on the actual administrative expenses as a percent of actual covered payroll during the calendar year ending on the valuation date.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contributions	\$ 604,348	\$ 636,711	\$ 660,452	\$ 659,815	\$ 615,504	\$ 703,170	\$ 858,000	\$ 858,000	\$ 1,000,000	\$ 590,642
Contributions in relation to the actuarially determined contribution	604,348	636,711	660,452	659,815	615,504	703,170	858,000	858,000	1,000,000	590,642
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,025,525	\$ 2,204,354	\$ 2,488,297	\$ 2,747,667	\$ 2,607,465	\$ 2,930,043	\$ 2,808,304	\$ 2,824,663	\$ 2,870,849	\$ 2,907,786
Contributions as a percentage of covered payroll	29.84%	28.88%	26.54%	24.01%	23.61%	24.00%	30.55%	30.38%	34.83%	20.31%

Notes to Schedule

Valuation date: 12/31/2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll (3% payroll growth assumed)
Remaining amortization period	fixed 18-year period
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary Increase	3.55%- to 12.00%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Retirement age	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.
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality Table

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

Fiscal Year ended June 30, Measurement year ended June 30,	2018 2017	2019 2018	2020 2019	2021 2020
Total OPEB Liability				
Service cost	\$ 32,608	\$ 34,728	\$ 35,770	\$ 33,804
Interest on the total OPEB liability	64,455	68,828	73,368	64,114
Changes in assumptions**	-	-	(52,714)	-
Differences between expected and actual experience	-	-	(158,097)	(4,415)
Benefit payments, including refunds of employee contributions	(27,243)	(36,565)	(32,954)	(45,214)
Net change in total OPEB liability	69,820	66,991	(134,627)	48,289
Total OPEB liability - beginning	972,633	1,042,453	1,109,444	974,817
Total OPEB liability - ending (a)	<u>\$ 1,042,453</u>	<u>\$ 1,109,444</u>	<u>\$ 974,817</u>	<u>\$ 1,023,106</u>
Plan fiduciary net position				
Contributions - employer	\$ 52,344	\$ 45,720	\$ 67,165	\$ 85,093
Net investment income	50,176	47,514	57,293	49,736
Administrative expenses	(367)	(403)	(177)	(454)
Other expense	-	(1,021)	-	-
Benefit payments	(27,243)	(36,565)	(32,954)	(45,214)
Net change in plan fiduciary net position	74,910	55,245	91,327	89,161
Plan fiduciary net position - beginning	696,541	771,451	826,696	918,023
Plan fiduciary net position - ending (b)	771,451	826,696	918,023	1,007,184
Net OPEB liability - ending (a)-(b)	<u>\$ 271,002</u>	<u>\$ 282,748</u>	<u>\$ 56,794</u>	<u>\$ 15,922</u>
Plan fiduciary net position as a percentage of the total OPEB liability	74.00%	74.51%	94.17%	98.44%
Covered-employee payroll	\$ 1,085,000	\$ 1,085,000	\$ 827,457	\$ 852,281
Net OPEB liability as percentage of covered-employee payroll	24.98%	26.06%	6.86%	1.87%

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

** Change of assumptions: For the measurement period ended June 30, 2024, the long-term rate or return and discount rate were adjusted to 6.10% from 5.50% as of June 30, 2023. For measurement period ended June 30, 2023, the healthcare cost trend rates were updated as compared to the measurement period ended June 30, 2022. For measurement period ended June 30, 2022, the long-term rate of return and discount rate were adjusted to 5.50% from 6.50% as of June 30, 2021. For measurement period ended June 30, 2021, the healthcare cost trend rates were updated as compared to the measurement period ended June 30, 2020.

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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 34,537	\$ 24,873	\$ 30,152	\$ 26,340
66,983	69,444	64,493	78,892
(131,848)	102,837	6,121	(85,997)
138,209	(29,914)	250,017	3,847
(55,152)	(65,715)	(70,783)	(99,943)
52,729	101,525	280,000	(76,861)
<u>1,023,106</u>	<u>1,075,835</u>	<u>1,177,360</u>	<u>1,457,360</u>
<u>\$ 1,075,835</u>	<u>\$ 1,177,360</u>	<u>\$ 1,457,360</u>	<u>\$ 1,380,499</u>
\$ 31,916	\$ 26,161	\$ 32,841	\$ 49,670
198,872	(148,102)	37,383	81,634
(368)	(300)	(287)	(321)
-	-	-	-
(55,152)	(65,715)	(70,783)	(99,943)
175,268	(187,956)	(846)	31,040
<u>1,007,184</u>	<u>1,182,452</u>	<u>994,496</u>	<u>993,650</u>
<u>1,182,452</u>	<u>994,496</u>	<u>993,650</u>	<u>1,024,690</u>
<u>\$ (106,617)</u>	<u>\$ 182,864</u>	<u>\$ 463,710</u>	<u>\$ 355,809</u>
109.91%	84.47%	68.18%	74.23%
\$ 877,849	\$ 732,387	\$ 678,210	\$ 518,671
-12.15%	24.97%	68.37%	68.60%

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

	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contributions	\$ 30,875	\$ 35,444	\$ 76,640	\$ 31,916	\$ 12,263	\$ 13,418	\$ 60,128	\$ 97,827
Contributions in relation to the actuarially determined contribution	30,875	35,444	76,640	31,916	26,161	32,841	49,670	11,531
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (13,898)	\$ (19,423)	\$ 10,458	\$ 86,296
Covered-employee payroll	\$ 1,085,000	\$ 827,457	\$ 852,281	\$ 877,849	\$ 732,387	\$ 678,210	\$ 518,671	\$ 534,231
Contributions as a percentage of covered-employee payroll	2.85%	4.28%	8.99%	3.64%	3.57%	4.84%	9.58%	2.16%

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

Notes to Schedule

Valuation date: 6/30/2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll (3% payroll growth assumed)
Remaining amortization period	Fixed 18-year period
Asset valuation method	Fair value of assets
Inflation	3.00%
Salary Increase	3%, average including inflation
Investment Rate of Return	6.10%, net of OPEB plan investment expense, including inflation
Retirement age	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.
Mortality	Mortality rates were based on the Society of Actuaries Pub-2010 General Healthy Retiree Amount- Weighted Above-Median Mortality Table fully generational using Scale MP-2021.

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 debt service, capital outlay or other financing sources and uses.

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Supplementary Information

For the Year Ended June 30, 2025

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, 2025

Program	Source	Revenue CCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	CCFC Program Funds*	\$ 689,455	\$ 689,455	\$ -	\$ -	\$ -
	Total	<u>\$ 689,455</u>	<u>\$ 689,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* \$18,944 HUB funding received from First 5 San Benito is *not included* in IMPACT.

Compliance Reports

For the Year Ended June 30, 2025

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, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 23, 2025. Our report includes an emphasis of matter paragraph indicating the adoption of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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*.

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

October 23, 2025



Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

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

Report on Compliance

Opinion on State Compliance

We have audited the First 5 Contra Costa Children and Families Commission's (Commission), a component unit of the County of Contra Costa, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2025.

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, 2025.

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 State of California's *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.

Report on 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.

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

Sacramento, California
October 23, 2025