

**CHILDREN AND FAMILIES FIRST COMMISSION
OF VENTURA COUNTY
A Component Unit of the County of Ventura**

Financial Statements for the Years
Ended June 30, 2014 and 2013 and
Independent Auditors' Report

DRAFT

Fanning & Karrh

Certified Public Accountants

A Professional Corporation

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A Component Unit of the County of Ventura

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of
Children and Families First Commission of Ventura County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each governmental fund of Children and Families First Commission of Ventura County (Commission), a component unit of the County of Ventura, California, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each governmental fund of the Children and Families First Commission of Ventura County, as of June 30, 2014 and 2013, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages __ through __ and __ through __ be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Children and Families First Commission of Ventura County's basic financial statements. The accompanying Supplemental Schedule of First 5 California (F5CA) Funding on page __ 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October __, 2014, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Children and Families First Commission of Ventura County's internal control over financial reporting and compliance.

Ventura, California
October __, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Children and Families First Commission of Ventura County's (Commission) Annual Financial Report presents management's discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2014. Please read in conjunction with the Commission's financial statements and accompanying notes that begin on page 10.

FINANCIAL HIGHLIGHTS

- The Commission received \$7,382,489 in tobacco tax revenue, compared to \$7,878,290 received in the prior fiscal year, a decrease of \$495,801 or 6.3%, which is attributed to a lower proportion of statewide births for Ventura County in FY 2013-14.
- The Commission received \$1,658,574 in FY 2013-14 in federal, state, and foundation funding, compared to \$1,057,210 received in the prior fiscal year, an increase in leveraged funds of \$601,364.
- The Commission expenses totaled \$12,330,538 compared to \$11,657,831 incurred in the prior fiscal year, an increase of \$672,707 or 6%.
- The Commission's assets at June 30, 2014 were \$32,274,612, a decrease of \$3,206,054 or 9%, compared to total assets of \$35,480,666 at June 30, 2013, a planned decrease as a result of utilizing Commission resources to sustain program services.
- The Commission's net position at June 30, 2014 was \$28,768,446, a decrease of \$3,179,462 or 10%, compared to a net position of \$31,947,908 at June 30, 2013.
 - This decrease is primarily attributed to the planned use of prior years' allocations to sustain program expenditures in the current year.
 - The Commission's remaining net position is committed for future program sustainability.

OVERVIEW OF SIGNIFICANT EVENTS FOR FY 2013-14

November 2013 marked the 15th anniversary of the voters' approval of Proposition 10 (of 1998), the California Children and Families Act, which created the First 5 program statewide.

In FY 2013-14, the Commission implemented the third funding year of its five-year strategic plan that was adopted in September 2010. This plan builds on past practices and learnings, addresses current needs, and further defines the specific outcomes the Commission wishes to achieve through continued support for: the Neighborhoods for Learning - a nationally recognized, community-based service delivery model that reaches all parts of the County; specialized countywide service strategies; a broad-based community outreach and education initiative; and a resource development strategy to maximize resources by expanding engagement of local partners and identification of regional partners.

Since the Commission's major strategic plan programs were continued for FY 2013-14, spending levels were commensurate with the prior year with most programs expending or nearly expending their annual allocation and thereby continuing their capacity to serve young children and their families in Ventura County. The Neighborhood for Learning initiative expenses realized a slight increase of 3% in FY 2013-14 compared to FY 2012-13. Programs funded under Countywide Strategies continued to play a critical role in the delivery of regional-based family strengthening and health-focused programming.

In FY 2013-14, the Commission continued to expand its financial resources through leveraging opportunities. The Commission's countywide preschool efforts were significantly enhanced with external funding sources. First 5 Ventura County has always had a longstanding commitment to expand quality early learning opportunities for children ages 0-5. The Commission has cultivated strong working-relationships with the Ventura County Office of Education, the local elementary school districts and local service providers delivering early learning programs. As a result of the innovative and quality programming on the local level, the Commission received additional state and federal resources for countywide preschool efforts. Through blending local funding with Federal Race to the Top - Early Learning Challenge grant dollars and First 5 California's Child Signature Program, a Quality Rating and Improvement System (QRIS) was implemented in Ventura County. Additionally, workforce development efforts were continued in partnership with First 5 California and their matching funds program, Comprehensive Approaches to Raising Educational Standards (CARES) Plus. Preschool quality efforts were further enhanced by a

supplemental grant award for Race to the Top, resulting in an additional \$800,000 in federal resources for Ventura County. Over a four year period, FY 2012-13 through FY 2015-16, it is estimated that the Commission will receive over \$5.7 million in federal and state grant revenue for preschool quality efforts.

In FY 2013-14, the Commission received over \$50,000 for obesity prevention efforts. Under the Communications, Education and Development Initiative, the Commission partnered and received grant funding to expand obesity prevention strategies. In FY 2013-14, the Commission completed the Kaiser Permanente Community Benefits grant to promote breastfeeding in Ventura County and facilitate a consortium of hospital and healthcare leaders to systematically address specific policies and practices at hospitals, clinics and physician's offices. The Commission continued to implement the West Ventura Kaiser Foundation HEAL Zone grant, a partnership with the Public Health Department, whereby the Commission implements its Good for Kids (GFK) restaurant program in a largely underserved area of Ventura. In FY 2013-14, the Commission realized the addition of several new GFK restaurants, with local restaurants offering healthy kids meals and working with community partners to increase the availability of healthy foods. The Commission will continue to leverage its obesity prevention efforts through West Ventura Kaiser Foundation HEAL Zone grant through September 2015.

In an effort to reduce long-term costs and implement a common evaluation data system for multiple First 5 counties, the Commission participated in a multi-county collaborative and selected a new evaluation software vendor. In FY 2013-14, the new system was configured and data was successfully transferred so that the program was ready for implementation in July 2014.

The Commission has made great strides in leveraging additional resources through partnerships. The Commission has continually expanded collaborative partnerships with foundations, businesses, parents and local leaders for community-wide efforts to make sound, lasting investments in children. The Commission has taken key leadership roles in countywide obesity, oral health, developmental screening, preschool quality improvement, and basic needs collaboratives so public agencies, non-profits and business can work together to support children, families and communities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's financial statements comprise three components:

- 1) Government-wide financial statements;
- 2) Fund financial statements; and
- 3) Notes to the financial statements.

The Commission's financial statements offer key, high-level financial information about its activities.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Commission finances in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all Commission assets and liabilities, with differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is changing.

The *Statement of Activities* presents information on how net position changed during the most recent fiscal 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*. Thus, revenues and expenses reported in this statement include some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Fund Financial Statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commission has established funds to control and manage funding for a particular purpose (future years' financing, community investment loan funds). The Commission reports all activities under *governmental funds*.

Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The Commission maintains three individual governmental funds.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Commission is considered a legal public entity separate from the County of Ventura (County). However, for financial statement presentation purposes only, the Commission is a component unit of the County.

FINANCIAL STATEMENT ANALYSIS

The following is a summary of the Commission’s assets, liabilities and net position comparing June 30, 2014 with June 30, 2013.

Statements of Net Position For the Years Ended			
	June 30, 2014	June 30, 2013	Percent Increase (Decrease)
ASSETS			
Cash and investments	\$30,047,401	\$33,014,634	(9%)
Current and other assets	2,227,211	2,466,032	(10%)
Total assets	\$32,274,612	\$35,480,666	(9%)
LIABILITIES			
	\$3,506,166	\$3,532,758	(1%)
NET POSITION			
Unrestricted	28,768,446	31,947,908	(10%)
Total liabilities and net position	\$32,274,612	\$35,480,666	(9%)

As of June 30, 2014, the Commission’s total assets were \$32,274,612, a decrease of \$3,206,054 or 9%. The Commission accrued all amounts due to the Commission but not yet received by year-end. These amounts are reflected under current and other assets. The decrease of \$238,821 or 10% in current and other assets is largely attributed to receiving grant reimbursements earlier this year compared to the prior year and lower May and June Proposition 10 tax disbursements compared to last year. This decrease is offset by an increase in loan receivables as a result of the new Community Investment loan that was issued in FY 2013-14. The overall decrease in total assets is mainly attributed to the planned use of prior years’ distributions to support program services and sustain service capacity in the current period.

At the end of FY 2013-14, the Commission also accrued all amounts owed by the Commission but not yet paid by year-end. Liabilities of \$3,506,166 as of June 30, 2014 were commensurate with the \$3,532,758 at June 30, 2013. Liabilities include accounts/contracts payable and unearned revenue. Unearned revenue includes \$173,175 in grants received from California Department of Education - Race to the Top and the Scripps Howard Foundation. The activities related to these grants will carry-over to FY 2014-15, at which time the remainder of the revenue will be recognized, thereby reducing the liability. The slight decrease to liabilities is a result of spending Race to the Top grant funds thereby lowering the balance of unearned revenue. This decrease to liabilities is offset by an increase in accounts and contracts payable resulting from slightly increased spending levels.

The Commission’s net position at June 30, 2014 was \$28,768,446, a decrease of \$3,179,462 or 10%, compared to net position of \$31,947,908 at June 30, 2013. The overall decrease in net position is mainly attributed to the planned use of prior years’ distributions to support program services and sustain service capacity in the current period. The Commission’s remaining net position is committed for future program sustainability.

The following table summarizes the changes in net position comparing FY 2013-14 with FY 2012-13:

Statements of Activities For the Years Ended			
	June 30, 2014	June 30, 2013	Percent Increase (Decrease)
Expenses:			
Programs	\$11,520,809	\$10,844,285	6%
Program Evaluation (Results Accountability)	235,878	268,259	(12%)
Administration	564,773	540,795	4%
Equipment Replacement	9,078	4,492	102%
Total expenses	12,330,538	11,657,831	6%
Revenues:			
Program revenues:			
State distribution of Proposition 10 funds	7,382,489	7,878,290	(6%)
First 5 CA Child Signature Program	772,104	698,703	11%
First 5 CA CARES Plus	110,190	97,581	13%
Federal Revenues:			
Race to the Top	722,012	219,460	229%
Center for Disease Control and Prevention	2,050	21,292	(90%)
Grants - Other	52,218	20,174	159%
Other income	1,787	0	n/a
Total program revenues	9,042,850	8,935,500	1%
General revenues:			
Interest earnings	117,994	169,303	(30%)
Surplus Monetary Investment Funds (SMIF)	1,978	2,795	(29%)
Unrealized loss on investments	(11,746)	(108,444)	(89%)
Total general revenues	108,226	63,654	70%
Change in net position	\$(3,179,462)	\$(2,658,677)	

The Commission planned for a decrease in net position, utilizing funds from prior years' distributions to support program services and sustain service capacity in the current period. The net expense in FY 2013-14 against program and general revenues without consideration of the unrealized loss on investments as a result of fair market value adjustments is \$3,167,716.

The Commission received program revenues totaling \$9,042,850 in FY 2013-14, an increase of \$107,350 or 1%, compared to prior year's total program revenues. The overall increase in program revenues is primarily due to funding from First 5 California and California Department of Education for preschool quality improvement. This increase is offset by the decline in Proposition 10 distributions. General revenues, without consideration of the unrealized loss on investments as a result of fair market value adjustments, in the current period are \$119,972, compared to \$172,098 in the prior year. This decrease results from lower interest earnings in the current period, given current market conditions.

In FY 2013-14, the Commission successfully leveraged local Proposition 10 funds and external funding, as highlighted below:

- Investments in preschool quality grew significantly with the extensive funding that was leveraged in the current year:
 - State funds were secured for the Commission's Preschool Quality Rating and Improvement System (QRIS). First 5 California continued funding for its Child Signature Program (CSP). In FY 2013-14, \$772,104 was received for the Commission's participation in the CSP program. The remaining allocation for FY 2013-14, \$186,693, will carry over to FY 2014-15 along with the annual allocation of CSP funding.

- Federal Race to the Top – Early Learning Challenge grant (RTT) funding of \$722,012 was received in FY 2013-14 for the implementation of the QRIS program, blending with CSP funding and the Commission’s local investment. The remainder of RTT funds allocated for FY 2013-14, \$110,080, will carry over to FY 2014-15 along with the annual allocation of RTT funding. This source of funding will continue through December 2015 with the option to extend to June 2016.
- The Commission participated in the statewide Comprehensive Approaches to Raising Educational Standards (CARES) Plus program, a matching funds program in partnership with First 5 California, in which education stipends are distributed to early childhood professionals for workforce development. In FY 2013-14, the Commission received \$110,190 for program implementation as a 1:3 match on its local investment of \$330,568. Current CARES Plus matching funding will continue through FY 2015-16.
- The Commission received grant funding of over \$50,000 for its obesity prevention efforts representing partnerships with the Kaiser Foundation and the Public Health Department through two grant programs, including: the West Ventura Kaiser HEAL Zone grant and the Center for Disease Control and Prevention (CDC) Transforming Communities Capacity Building grant. The CDC grant concluded in September 2014. The Kaiser HEAL Zone funding is anticipated to continue through September 2015.

In FY 2013-14, interest earnings continued to decline as a result of market conditions. The Commission’s total interest earnings for FY 2013-14 were \$119,972. Compared to the prior year, this is a reduction of \$52,126 or 30%. The Commission’s funds are maintained in the Ventura County Treasury Investment Pool. The Ventura County Treasurer-Tax Collector’s Office earned an average rate of 0.35% in FY 2013-14 for funds invested in the County investment pool compared to an average rate of 0.47% in FY 2012-13. Interest rates for FY 2013-14 are estimated to be 0.40%.

Albeit less so than in prior years, the Commission’s portfolio of funds continued to decrease in fair value, resulting in an unrealized loss on investments of \$11,746 in FY 2013-14 compared to the \$108,444 in the prior year. As a result, the Commission’s overall portfolio at June 30, 2014 had an unrealized loss of fair market value of \$62,452.

In FY 2013-14, the Commission spent \$11,520,809 on program services compared to \$10,844,285 in FY 2012-13, an increase of \$676,524 or just over 6%. This increase is largely attributed to the expanded preschool quality efforts funded by federal and state grants and is slightly offset by the planned decrease in program allocations in accordance with the third funding year of the strategic plan. Most programs reached or nearly reached their budgeted spending levels, with an overall average of 92% expensed. The Neighborhoods for Learning, the Commission’s cornerstone initiative, reached a record spending level of 98% overall.

Program evaluation (Results-based Accountability and Quality Assurance) includes expenses for the evaluation software system, the annual evaluation report, training/capacity building, and staffing/operating expenses for the coordination of evaluation activities and technical assistance for funded programs. Expenses for this year in the amount of \$235,878 were lower than the \$268,259 spent in the prior year, a decrease mainly attributed to producing the annual evaluation report internally.

In FY 2013-14, administrative expenses were 4.6% of operating expenses, well below the established target of 5.5% of operating costs. Actual administrative expenses were maintained at a lower level than budgeted, coming in at 85% of the administrative budget.

The Commission utilized close to \$3.2 million in funds from the planned use of prior years’ distributions in the current period to sustain program service levels. The overall financial position of the Commission remains solid and its net position will continue to be used to sustain program services in future years and help offset the anticipated decline in Proposition 10 tax revenues.

BUDGETARY HIGHLIGHTS

OPERATING FUND

As presented in the accompanying “Budgetary Comparison Schedule – Operating Fund” on page 24, the Commission projected \$9,191,436 in revenues and utilization of \$4,245,658 from prior years’ distributions, for a total of \$13,437,094 for FY 2013-14.

Actual revenues earned in FY 2013-14 for the Operating Fund were \$9,084,723. The Commission utilized \$3,219,272 of funds from prior years’ Proposition 10 distributions. Tobacco tax revenues had been originally

budgeted at \$7.5 million and were later forecasted at just under \$7.4 million for FY 2013-14. Actual Proposition 10 revenues were commensurate with the forecast coming in at \$7,382,489. Statewide, tobacco tax revenues decreased 3.5%. However, the decrease realized for Ventura County was 6.3% due to a lower percent distribution of statewide births (2.123% in FY 2013-14 as opposed to 2.186% in FY 2012-13). In addition to tobacco tax revenues, the Commission received almost \$1.7 million in grant funding in FY 2013-14. The majority of unspent grants funds for FY 2013-14 will carry over to FY 2014-15.

In FY 2013-14, the Commission budgeted \$13,437,094 for Operating Fund expenditures. Actual expenditures in the Operating Fund were \$12,303,995 for an overall average percent budget expended rate of 92%. Surpassing the spending level from the prior year, the Neighborhoods for Learning, the Commission's largest initiative, reached its highest spending level yet of 98% overall. In general, the overall budget variance of \$1,133,099 is attributed to the following: 1) continued ramp-up for the new preschool QRIS program and remaining preschool program participation incentives, 2) closely monitoring costs and realizing cost savings for the Commission's administration and internal program areas, 3) a reduced allocation in FY 2013-14 for regional health educators, so that a level allocation could be maintained through FY 2015-16, rather than implementing a decreased allocation each year, and 4) staff vacancies in some programs. Approximately \$300,000 of program funds from FY 2013-14, primarily federal and state grant funds, will be carried forward to FY 2014-15 for the completion of certain activities. Any remaining unspent funds have been released into the Commission's Operating Fund.

COMMUNITY INVESTMENT LOAN FUND

As presented in the accompanying "Budgetary Comparison Schedule – Community Investment Loan Fund" on page 25, the Commission allocated \$1,127,024 in FY 2013-14 for the Community Investment Loan Fund. Of that amount, \$1,125,000 was budgeted for loan disbursements.

In 2013-14, an additional loan was issued in the amount of \$89,368 for facility improvements and equipment to create 14 new licensed spaces for infants and toddlers in the City of Moorpark. This loan is the second loan to be issued from this fund, the first of which was issued in 2012 for \$175,000 for facility improvements and equipment to expand child care slots in the City of Fillmore. Both loans are in good standing. While additional loans and their associated earned interest and inflows of repayments were anticipated, no additional loans were processed by June 30, 2014. Actual revenues earned in FY 2013-14 for the Community Investment Loan Fund represent interest earnings of \$13,004 and loan fees of \$1,787. Revenues in the current period cover almost half of actual expenditures of \$29,656 for costs related to implementing the loan fund. As additional loans are issued, interest earnings are anticipated to more than cover the costs related to loan administration.

Additional distribution of loan funds is planned for FY 2014-15. Already, two loans were processed in August 2014, which include a loan for \$312,500 to open a new facility in Santa Paula that will create 90 licensed spaces (40 infant/toddler spaces and 50 preschool spaces) and a \$30,000 supplemental loan for the first loan recipient in Fillmore to expand their existing program, adding 30 new preschool spaces.

The Community Investment Loan fund, launched in 2008, provides low-cost capital for facilities development, including planning, construction and amortized loans to create new early care and education spaces. With the two additional loans finalized in August 2014, the Commission has issued \$606,868 in loans, creating a total of 198 new early care and education spaces in high need areas. The Commission's implementation partner, the Economic Development Collaborative of Ventura County has leveraged approximately \$243,000 in other public funding for these projects. Additionally, thirty-eight new jobs were created as a result of this expansion into high need areas of Ventura County.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the current fiscal year, the Commission did not have any capital assets.

Debt Administration

At the end of the current fiscal year, the Commission did not have any long-term obligations outstanding.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

In FY 2014-15, the Commission will implement the fourth funding year of its five-year strategic plan. The overall local investment for FY 2014-15 is budgeted at just over \$11.1 million, a spending level similar to the prior year. However, with significant leveraged funding, particularly for countywide preschool quality efforts, the Commission's overall funding level for FY 2014-15 increased to \$13.4 million. Since the Commission's major strategic plan programs are continuing for FY 2014-15, it is anticipated that programs will meet their budgeted expenditure levels. In FY 2014-15, the Commission anticipates drawing upon interest earnings from the Sustainability fund to support program services.

Future annual revenues from the Proposition 10 apportionments are expected to continue to decline due to the decrease in the amount of tobacco sales within the State, smokers purchasing tobacco via the Internet, illegal sales of tobacco, and Board of Equalization administrative costs. The Commission has estimated the decline in tobacco tax revenues at a rate of 4%. To prepare for decreases in future years' revenues, the Commission closely monitors and periodically revises its long-term financial plan.

Through blending local funding with Federal Race to the Top – Early Learning Challenge grant dollars and First 5 California's Child Signature Programs, the Commission's Quality Rating and Improvement System (QRIS) will continue to be expanded in Ventura County. Over the next two years, it is estimated that the Commission will receive almost \$3 million in federal and state grant revenue for preschool quality efforts.

The Commission is positioned to receive matching funds from First 5 California's new CARES Plus program, which provides education stipends for early learning providers. Over the next two years, it is anticipated that the Commission will leverage a total of \$300,000.

The Commission's obesity prevention efforts will continue for FY 2014-15. Approximately \$30,000 in related grant revenue is anticipated for the continuing partnership with Ventura County Public Health for the HEAL Zone project.

The Commission's funded partners also leverage federal and state funds at the program level, which contribute towards the program as matching funds. In FY 2014-15, it is estimated that programs will draw down over \$400,000 in federal and state funding.

The Commission will conduct strategic planning throughout FY 2014-15 with a new plan slated to be adopted by June 30, 2015. A new financial plan will be developed in conjunction with the new strategic plan. A focus of this strategic plan will be on long-term sustainability, given declining revenues and available resources to support the service system. Implementation of the new plan will begin July 1, 2016.

SUMMARY

Brain research clearly tells us that ages 0-5 are critical years for developing lifelong social, emotional and learning skills. While this period is absolutely key to a child's development, it is also where public investments are the lowest. Together with parents, school districts, community leaders, and social and healthcare agencies, First 5 Ventura County works to fill the gaps through its network of essential services for young children and their families—a network that strengthens futures for children, families and communities. For FY 2013-14, in addition to a local investment of \$10.7 million, the Commission successfully brought in more than \$1.6 million in grants and leveraged program dollars, resulting in a total investment of \$12.8 million. The Commission and its partners are well positioned to serve the needs of children and families in Ventura County.

This financial report is designed to provide the public with an overview of the Commission's financial operations and conditions.

If you have questions about this report or need additional financial information, contact First 5 Ventura County (Children and Families First Commission of Ventura County), 2580 E. Main Street, Suite 203, Ventura, CA 93003, (805) 648-9990.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and investments	\$ 30,047,401	\$ 33,014,634
Due from other governments	1,935,443	2,214,162
Loans receivable	227,476	164,150
Accounts receivable	808	1,517
Interest receivable	30,683	53,186
Prepaid expenses	<u>32,801</u>	<u>33,017</u>
Total assets	<u>\$ 32,274,612</u>	<u>\$ 35,480,666</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts and contracts payable	\$ 3,268,474	\$ 3,224,399
Compensated absences	64,517	67,630
Unearned revenue	<u>173,175</u>	<u>240,729</u>
Total liabilities	<u>3,506,166</u>	<u>3,532,758</u>
Net Position - Unrestricted	<u>28,768,446</u>	<u>31,947,908</u>
Total liabilities and net position	<u>\$ 32,274,612</u>	<u>\$ 35,480,666</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
EXPENSES		
Program expenses:		
Neighborhoods for Learning	\$ 6,637,252	\$ 6,473,234
Countywide Strategies	1,756,954	2,014,058
Countywide Preschool	2,397,715	1,637,117
Communications, Education and Development	351,362	288,840
Program Management	347,870	402,716
Community Investment Loan Fund	29,656	28,320
Evaluation expenses - Results-based		
Accountability and Quality Assurance	235,878	268,259
Administration expenses		
Equipment replacement	9,078	4,492
Total expenses	<u>12,330,538</u>	<u>11,657,831</u>
REVENUES		
Program revenues:		
Proposition 10 apportionment	7,382,489	7,878,290
First 5 California Child Signature Program	772,104	698,703
First 5 California CARES Plus	110,190	97,581
Federal grant revenue -		
Race to the Top	722,012	219,460
Center for Disease Control and Prevention	2,050	21,292
Grants - Other		
Other	1,787	-
Total program revenues	<u>9,042,850</u>	<u>8,935,500</u>
Net expense	<u>(3,287,688)</u>	<u>(2,722,331)</u>
General revenues:		
Interest earnings	117,994	169,303
Proposition 10 SMIF	1,978	2,795
Unrealized loss on investments	<u>(11,746)</u>	<u>(108,444)</u>
Total general revenues	<u>108,226</u>	<u>63,654</u>
Change in net position	(3,179,462)	(2,658,677)
Net position, beginning of year	<u>31,947,908</u>	<u>34,606,585</u>
Net position, end of year	<u>\$ 28,768,446</u>	<u>\$ 31,947,908</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2014

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 10,819,533	\$ 18,174,529	\$ 1,053,339	\$ 30,047,401
Due from other governments	1,935,443	-	-	1,935,443
Loans receivable	-	-	227,476	227,476
Accounts receivable	808	-	-	808
Interest receivable	11,096	15,073	4,514	30,683
Prepaid expenses	32,801	-	-	32,801
Total assets	<u>\$ 12,799,681</u>	<u>\$ 18,189,602</u>	<u>\$ 1,285,329</u>	<u>\$ 32,274,612</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 3,253,128	\$ -	\$ 15,346	\$ 3,268,474
Compensated absences	-	-	-	-
Unearned revenue	173,175	-	-	173,175
Total liabilities	<u>3,426,303</u>	<u>-</u>	<u>15,346</u>	<u>3,441,649</u>
Fund balance:				
Nonspendable	32,801	-	227,476	260,277
Restricted	-	-	-	-
Committed	9,340,577	18,189,602	1,042,507	28,572,686
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>9,373,378</u>	<u>18,189,602</u>	<u>1,269,983</u>	<u>28,832,963</u>
Total liabilities and fund balance	<u>\$ 12,799,681</u>	<u>\$ 18,189,602</u>	<u>\$ 1,285,329</u>	<u>\$ 32,274,612</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance from above	\$ 28,832,963
Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(64,517)</u>
Net position of governmental activities	<u>\$ 28,768,446</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2013

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 13,785,353	\$ 18,110,130	\$ 1,119,151	\$ 33,014,634
Due from (due to) other funds	(4,740)	-	4,740	-
Due from other governments	2,214,162	-	-	2,214,162
Loan receivable	-	-	164,150	164,150
Accounts receivable	1,517	-	-	1,517
Interest receivable	23,538	26,042	3,606	53,186
Prepaid expenses	33,017	-	-	33,017
Total assets	<u>\$ 16,052,847</u>	<u>\$ 18,136,172</u>	<u>\$ 1,291,647</u>	<u>\$ 35,480,666</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 3,218,065	\$ -	\$ 6,334	\$ 3,224,399
Compensated absences	-	-	-	-
Unearned revenue	240,729	-	-	240,729
Total liabilities	<u>3,458,794</u>	<u>-</u>	<u>6,334</u>	<u>3,465,128</u>
Fund balance:				
Nonspendable	33,017	-	164,150	197,167
Restricted	-	-	-	-
Committed	12,561,036	18,136,172	1,121,163	31,818,371
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>12,594,053</u>	<u>18,136,172</u>	<u>1,285,313</u>	<u>32,015,538</u>
Total liabilities and fund balance	<u>\$ 16,052,847</u>	<u>\$ 18,136,172</u>	<u>\$ 1,291,647</u>	<u>\$ 35,480,666</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance from above	\$ 32,015,538
Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(67,630)</u>
Net position of governmental activities	<u>\$ 31,947,908</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
REVENUES				
Program revenues:				
Proposition 10 apportionment	\$ 7,382,489	\$ -	\$ -	\$ 7,382,489
First 5 California Child Signature Program	772,104	-	-	772,104
First 5 California CARES Plus	110,190	-	-	110,190
Federal grant revenue:				
Race to the Top	722,012	-	-	722,012
Center for Disease Control and Prevention	2,050	-	-	2,050
Grants - Other	52,218	-	-	52,218
Other	-	-	1,787	1,787
Total program revenues	<u>9,041,063</u>	<u>-</u>	<u>1,787</u>	<u>9,042,850</u>
General revenues:				
Interest earnings	41,682	63,308	13,004	117,994
Proposition 10 SMIF	1,978	-	-	1,978
Unrealized loss on investments	<u>(1,403)</u>	<u>(9,878)</u>	<u>(465)</u>	<u>(11,746)</u>
Total general revenues	<u>42,257</u>	<u>53,430</u>	<u>12,539</u>	<u>108,226</u>
Total revenues	<u>9,083,320</u>	<u>53,430</u>	<u>14,326</u>	<u>9,151,076</u>
EXPENDITURES				
Program expenditures:				
Neighborhoods for Learning	6,637,252	-	-	6,637,252
Countywide Strategies	1,756,954	-	-	1,756,954
Countywide Preschool	2,397,715	-	-	2,397,715
Communications, Education and Development	351,362	-	-	351,362
Program Management	349,302	-	-	349,302
Community Investment Loan Fund	-	-	29,656	29,656
Evaluation expenditures - Results-based				
Accountability and Quality Assurance	235,878	-	-	235,878
Administrative expenditures	566,454	-	-	566,454
Equipment replacement	<u>9,078</u>	<u>-</u>	<u>-</u>	<u>9,078</u>
Total expenditures	<u>12,303,995</u>	<u>-</u>	<u>29,656</u>	<u>12,333,651</u>
Change in fund balance	(3,220,675)	53,430	(15,330)	(3,182,575)
Fund balance, beginning of year	<u>12,594,053</u>	<u>18,136,172</u>	<u>1,285,313</u>	<u>32,015,538</u>
Fund balance, end of year	<u>\$ 9,373,378</u>	<u>\$ 18,189,602</u>	<u>\$ 1,269,983</u>	<u>\$ 28,832,963</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - concluded
FOR THE YEAR ENDED JUNE 30, 2014

Total
Governmental
Funds

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance from above \$ (3,182,575)

The change in compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.

3,113

Change in net position of governmental activities \$ (3,179,462)

DRAFT

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
REVENUES				
Program revenues:				
Proposition 10 apportionment	\$ 7,878,290	\$ -	\$ -	\$ 7,878,290
First 5 California Child Signature Program	698,703	-	-	698,703
First 5 California CARES Plus	97,581	-	-	97,581
Federal grant revenue:				
Race to the Top	219,460	-	-	219,460
Center for Disease Control and Prevention	21,292	-	-	21,292
Grants - Other	20,174	-	-	20,174
Other	-	-	-	-
Total program revenues	<u>8,935,500</u>	<u>-</u>	<u>-</u>	<u>8,935,500</u>
General revenues:				
Interest earnings	67,548	84,990	16,765	169,303
Proposition 10 SMIF	2,795	-	-	2,795
Unrealized loss on investments	<u>(45,395)</u>	<u>(57,235)</u>	<u>(5,814)</u>	<u>(108,444)</u>
Total general revenues	<u>24,948</u>	<u>27,755</u>	<u>10,951</u>	<u>63,654</u>
Total revenues	<u>8,960,448</u>	<u>27,755</u>	<u>10,951</u>	<u>8,999,154</u>
EXPENDITURES				
Program expenditures:				
Neighborhoods for Learning	6,473,234	-	-	6,473,234
Countywide Strategies	2,014,058	-	-	2,014,058
Countywide Preschool	1,637,117	-	-	1,637,117
Communications, Education and Development	288,840	-	-	288,840
Program Management	404,006	-	-	404,006
Community Investment Loan Fund	-	-	28,320	28,320
Evaluation expenditures - Results-based				
Accountability and Quality Assurance	268,259	-	-	268,259
Administrative expenditures	542,309	-	-	542,309
Equipment replacement	<u>4,492</u>	<u>-</u>	<u>-</u>	<u>4,492</u>
Total expenditures	<u>11,632,315</u>	<u>-</u>	<u>28,320</u>	<u>11,660,635</u>
Change in fund balance	(2,671,867)	27,755	(17,369)	(2,661,481)
Fund balance, beginning of year	<u>15,265,920</u>	<u>18,108,417</u>	<u>1,302,682</u>	<u>34,677,019</u>
Fund balance, end of year	<u>\$ 12,594,053</u>	<u>\$ 18,136,172</u>	<u>\$ 1,285,313</u>	<u>\$ 32,015,538</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - concluded
FOR THE YEAR ENDED JUNE 30, 2013

Total
Governmental
Funds

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance from above \$ (2,661,481)

The change in compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.

2,804

Change in net position of governmental activities \$ (2,658,677)

DRAFT

The accompanying notes are an integral part of these financial statements.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Children and Families First Commission of Ventura County (the Commission), known as First 5 Ventura County, was established by the Ventura County Board of Supervisors in 1999 under the provisions of the California Children and Families First Act of 1998 (the Act). The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage through five years of age. The Commission's programs are primarily funded by taxes levied by the State of California on tobacco products. Any change to the tobacco tax revenue impacts the Commission's ability to perform services.

The Commission is administered by a governing board of nine voting members. The Ventura County Board of Supervisors appoints the commissioners as follows:

- a. One member of the Board of Supervisors.
- b. Two members recommended by the County Executive Officer responsible for management of the County's children's services, public health services, behavioral health services, social services and tobacco or other substance abuse prevention and treatment services.
- c. A representative recommended by the Child Care Planning Council.
- d. The remaining five members shall be selected from members of the Community Commission of Ventura County, nominated, one each, by the members of the Board of Supervisors, who are either described in (b) above or are: (1) recipients of project services included in the Commission's strategic plan, (2) educators specializing in early childhood development, (3) representatives of a local child care resource or referral agency or child care coordinating group, (4) representatives of a local organization for prevention or early intervention for families at risk, (5) representatives of community-based organizations that have the goal of promoting nurturing and early childhood development, (6) representative of local school districts, or (7) representatives of local medical, pediatric, or obstetric associations or societies.

The Commission is considered a legal public entity separate from the County of Ventura (the County). However, the Commission is a component unit of the County for financial reporting purposes.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

Basis of Presentation and Accounting and Measurement Focus

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

- Commission-wide financial statements
- Fund financial statements
- Notes to the financial statements

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body for establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

Commission-wide Financial Statements – The commission-wide financial statements consist of the statement of net position and the statement of activities and display information about the primary government (the Commission).

The commission-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The statement of activities presents a comparison of direct expenses and program revenues for the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include grants that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented as general revenues.

Fund Financial Statements – The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance. These statements are presented on a current-financial resources measurement focus. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal year. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Commission reports only governmental funds as follows:

Operating Fund – The operating fund accounts for the legally authorized activities of the Commission not provided for in other specialized funds. For financial reporting information, the operating fund includes the state distribution and investment revenues and program and administration expenditures.

Sustainability Fund – The sustainability fund accounts for those funds set aside by terms of the Commission's financial plan for future years' financing of specifically designated programs. The Commission recognizes there are reductions in tobacco tax revenue, which will in turn impact the Commission's ability to fund services; therefore, the sustainability fund provides for the ability to continue to fund services. The Commission anticipates utilizing a portion of the sustainability fund in FY 2014-15.

Community Investment Loan Fund – The community investment loan fund accounts for those funds set aside by terms of the Commission's strategic plan for programs related to providing financing for facilities development of licensed quality child care and preschool.

As a general rule the effect of interfund activity has been eliminated from the commission-wide financial statements.

Cash and Investments

The Commission participates in an external investment trust fund managed by the County of Ventura Treasurer. The County Treasurer's investment pool is defined in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The external investment pool commingles the moneys of more than one legally separate entity and invests on the participant's behalf in an investment portfolio for the purpose of increasing investment earnings. Interest earned on the pooled funds is allocated and credited to these funds quarterly. The Commission is required to deposit, but is not required to maintain, the state distributions of the tobacco tax in the County Treasury.

Capital Assets

Capital assets are reported in the commission-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years. Such assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. There were no capital assets at June 30, 2014 or 2013.

Compensated Absences

The Commission has estimated its liability for vested compensated absences to be \$64,517 and \$67,630 at June 30, 2014 and 2013, respectively. Compensated absence obligations are reported in the fund financial statements as expenditures in the period paid. The estimated liabilities have been accrued in the commission-wide financial statements and are included in accrued liabilities.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Equity Classifications

In the commission-wide financial statements, equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. The Commission did not have any of its net position invested in capital assets at June 30, 2014 and 2013.
- Restricted net position – Consists of net position with legal limitations imposed on their use by County or State Ordinance, external restrictions by other governments, creditors or grantors. There were no restrictions of net position as of June 30, 2014 and 2013.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The Commission follows the provisions of GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. Accordingly, fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., prepaid expenses or inventory) or (b) legally or contractually required to be maintained intact (e.g., resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment).
- Restricted fund balance - includes resources that are subject to constraints for which there are externally enforceable legal restrictions (e.g., funding from the State Commission or foundations that are legally restricted to specific uses; funds legally restricted by County, state, or federal legislature, or a government’s charter or constitution; amounts collected from non-spendable items, such as the long-term portion of loan outstanding, if those amounts are also subject to legal constraints).
- Committed fund balance - includes amounts that can only be used for specific purposes pursuant to limitations imposed by the Board of Commissioners. Formal action is required by the Commission to commit, to modify or remove the commitment. Committed fund balance also includes the minimum fund balance whereby up to six months of operating funds shall be maintained.
- Assigned fund balance – includes amounts that are constrained by the Commission’s intent to be used for specific purposes, but are neither restricted nor committed. Unless formal authority is delegated to another appointed body or official by the Board of Commissioners, the Board of Commissioners shall be the level of authority to allocate resources to the assigned category.
- Unassigned fund balance - includes fund balance that has not been classified into any of the other categories.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The Commission is legally required to prepare and submit a budget of expected expenditures to the Ventura County Board of Supervisors and the Ventura County Children, Family, and Community Commission for their review. The Commission's fiscal year 2013-14 budget was reviewed by the Ventura County Children, Family, and Community Commission (now known as the Community Commission for Ventura County) and the Ventura County Board of Supervisors on June 10, 2013 and June 18, 2013, respectively.

The budgetary basis of accounting is different from generally accepted accounting principles because for budgetary purposes investment earnings are recognized when earned. Under generally accepted accounting principles, investments and investment earnings include changes in fair values.

The accompanying Budgetary Comparison Schedule - Operating Fund and Budgetary Comparison Schedule - Community Investment Loan Fund include the budgeted expenditures for the year, along with management's estimate of revenues for the year. Budgetary control is exercised at the fund level. No expenditures were planned for the Sustainability Fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Commission has evaluated subsequent events through October X, 2014, the date which the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the presentation of the current year financial statements for comparative purposes.

2. CASH AND INVESTMENTS

The Commission's carrying value of deposits with a bank was \$47,946 and \$168,143 at June 30, 2014 and 2013, respectively. The corresponding bank balance was \$140,537 and \$261,362, respectively. Of the bank balance at June 30, 2014, \$250,000 was covered by Federal deposit insurance. The remaining uninsured balance was covered by a written collateral agreement with its financial institution whereby any uninsured deposits will be collateralized with eligible securities having a market value of at least 110% of the amount of the deposits.

At June 30, 2014 and 2013, the Commission had \$29,999,355 and \$32,846,391, respectively, held in an external investment pool in the County of Ventura. Investments are stated at fair value, per GASB Statement 31 requiring fair value reporting of all investments. The fair value of the County's pooled investments was determined by the County's investment advisory firm. The Commission's investments include recognized but unrealized net losses of \$62,452 and \$50,706 as of June 30, 2014 and 2013, respectively. Because the County's investment practice is to generally hold investments until maturity, the amount to be collected over the life of the security is known and the risk of market losses is minimized. Therefore, while potential gains or losses are recognized and reported because of the County's investment policy, they are not anticipated to be realized.

The Commission is authorized under California Government Code to make direct investments. In January 2009, the Commission adopted an investment policy to provide for the prudent investment of funds and the effective management of investment activities, including short-term investments to meet daily cash flow requirements and long-term investments to meet future goals. A minimum of one (1) year of operating funds must be maintained in the Ventura County Treasury Investment Pool or the Local Agency Investment Fund (LAIF). Remaining funds beyond the minimum of 1 year operating funds may be

invested in the Ventura County Treasury Investment Pool or elsewhere as outlined in the *Eligible, Authorized, and Suitable Investments* section of the Policy. An investment plan is developed and approved annually by the Commission. All funds are currently being invested in the Ventura County Investment Pool. As of June 30, 2014, the County portfolio received a rating of AAf by Standard & Poor's (S&P), the highest possible rating given by the agency. The portfolio was rated S1+, also the highest ranking given by S&P, for maintaining sufficient liquidity to meet cash flow needs.

The County Treasurer maintains a cash investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Interest is apportioned to the Commission based on the average daily balances on deposit with the County Treasurer. Investment earnings are accrued at year-end.

The County Treasurer invests Commission funds in accordance with the state statutes and the County's investment policy as approved by the Treasury Oversight Committee and the County Board of Supervisors. The policy emphasizes safety, liquidity, and yield and follows the "prudent investor rule." The County Treasurer is authorized by Government Code Section 53635 to invest in U.S. Government Treasury and Agency Securities, certain commercial paper, bankers' acceptances, corporate bonds and notes, repurchase agreements and the State Treasurer Local Agency Investment Fund.

3. DUE FROM OTHER GOVERNMENTS

The due from other governments primarily represents amounts due to the Commission from the California Children and Families Commission for Prop 10 related revenues.

4. LOANS RECEIVABLE

The Commission has two loans from preschool providers which were granted under the provisions of the Community Investment Loan Fund. The loans bear interest at 4.25% per year and are secured by all assets of the business and personal guarantees. The loans are fully amortized over 7 years with maturity dates through September 2020. The loans are administrated by the Economic Development Collaborative-Ventura County.

Subsequent to June 30, 2014, two additional loans totaling \$342,500 were issued from the Commission's Community Investment Loan Fund.

5. OPERATING LEASE

The Commission leases office space from a third party under a lease which expires in December 2015. The future minimum rental payments due under the lease are as follows:

Year ending June 30:	
2015	\$ 69,120
2016	<u>35,186</u>
	<u>\$ 104,306</u>

Rent expense totaled \$66,070 and \$65,178 for the years ended June 30, 2014 and 2013, respectively.

6. RETIREMENT PLAN

The Commission has established a SIMPLE (savings incentive plan for employees) IRA retirement plan in which employees can elect to contribute a percentage of their pre-tax salary towards. Under this plan, a separate IRA account is established for each participant and each IRA account is self-directed; thus, the employees control their investments. The Commission matches contributions up to 3% of an employee's annual salary, subject to IRS limitation for maximum contributions. The contribution by the Commission for the fiscal year ended June 30, 2014 and 2013 was \$25,471 and \$24,843, respectively.

7. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to general liability and workers' compensation. The Commission has general liability insurance to \$1,000,000 per occurrence. There have been no claims or insurance settlements.

8. ECONOMIC DEPENDENCY

The Commission is largely dependent on Proposition 10 Tobacco funds for its revenue. Any reduction to the tobacco tax revenue impacts the Commission's ability to fund services.

9. RELATED PARTY TRANSACTIONS

Certain members of the Commission are contractors, directors, or employees of agencies that are funded by the Commission and, accordingly, may receive payments or compensation from those agencies. For fiscal year 2013-14, the Commission entered into contracts with these agencies to provide funding of \$4,012,483. Amounts paid under these contracts amounted to \$3,619,406. The Commission's conflict of interest policy prohibits a commissioner from any decision making process that involves a related agency.

10. PROGRAM EVALUATION

The Commission spent \$235,878 on program evaluation during the year ended June 30, 2014 which includes the evaluation software system, the annual evaluation report, training/capacity building, coordination of evaluation activities, and technical assistance for funded programs. The Commission spent \$268,259 on program evaluation for the year ended June 30, 2013.

11. FUNDING FOR PURCHASE OF FIXED ASSETS AND INFRASTRUCTURE PROJECTS

The Commission adopted a policy in 2000 to provide for the granting of funds for the acquisition of fixed assets. In February 2012, the Commission amended the policy and incorporated provisions for infrastructure projects. In connection with this policy, any funds granted for the purchase of fixed assets or infrastructure projects over \$5,000 are structured as no-interest forgivable loans for each year that the grant recipient remains in business and continues operation of the program for which the asset was purchased or the infrastructure investment was made. The Commission recognizes the funding for the acquisition of fixed assets as program expenditures in the year granted. Grant recipients are expected to continue operations of the program for the determined length of time for which the asset was purchased or the infrastructure project was made.

As of June 30, 2014, the Commission had granted funds totaling \$1,400,187 for the purchase of fixed assets and infrastructure projects that are currently active with \$363,943 remaining to be forgiven through the year ending June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Program Revenues:				
Proposition 10 apportionment	\$ 7,501,742	\$ 7,501,742	\$ 7,382,489	\$ (119,253)
First 5 California Child Signature Program	905,266	905,266	772,104	(133,162)
First 5 California CARES Plus	148,390	148,390	110,190	(38,200)
Federal grant revenue:				
Race to the Top	530,215	530,215	722,012	191,797
Center for Disease Control and Prevention	-	-	2,050	2,050
Grants - Other	42,500	42,500	52,218	9,718
Other				
Funds available from prior years' Proposition 10 distributions	4,245,658	4,245,658	3,219,272	(1,026,386)
Total program revenues	<u>13,373,771</u>	<u>13,373,771</u>	<u>12,260,335</u>	<u>(1,113,436)</u>
General revenues -				
Interest earnings	63,323	63,323	41,682	(21,641)
Proposition 10 SMIF	-	-	1,978	1,978
Total general revenues	<u>63,323</u>	<u>63,323</u>	<u>43,660</u>	<u>(19,663)</u>
Total revenues	<u>\$ 13,437,094</u>	<u>\$ 13,437,094</u>	<u>\$ 12,303,995</u>	<u>\$ (1,133,099)</u>
EXPENDITURES				
Program expenditures:				
Neighborhoods for Learning	\$ 6,780,305	\$ 6,780,305	\$ 6,637,252	\$ 143,053
Countywide Strategies	1,922,500	1,922,500	1,756,954	165,546
Countywide Preschool	2,843,789	2,843,789	2,397,715	446,074
Communications, Education and Development	412,500	412,500	351,362	61,138
Program Management	460,000	460,000	349,302	110,698
Evaluation expenditures - Results-based				
Accountability and Quality Assurance	340,000	340,000	235,878	104,122
Administrative expenditures	668,000	668,000	566,454	101,546
Equipment replacement	10,000	10,000	9,078	922
Total expenditures	<u>\$ 13,437,094</u>	<u>\$ 13,437,094</u>	<u>\$ 12,303,995</u>	<u>\$ 1,133,099</u>

BUDGET-TO-GAAP RECONCILIATION:

Actual revenue on a budgetary basis	\$ 12,303,995
Differences - budget to GAAP:	
For GAAP purposes funds utilized from prior years' distributions are not recognized as revenue	(3,219,272)
For budgetary purposes investment earnings do not include unrealized gains and losses	<u>(1,403)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance	<u>\$ 9,083,320</u>

See accompanying notes to financial statements and auditor's report.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

BUDGETARY COMPARISON SCHEDULE - COMMUNITY INVESTMENT LOAN FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES/INFLOWS				
Loan repayments	\$ 42,118	\$ 42,118	\$ 26,042	\$ (16,076)
Loan fees	-	-	1,787	1,787
Funds available from prior years' Proposition 10 distributions	<u>1,084,906</u>	<u>1,084,906</u>	<u>78,191</u>	<u>(1,006,715)</u>
Total revenues/inflows	<u>1,127,024</u>	<u>1,127,024</u>	<u>106,020</u>	<u>(1,021,004)</u>
General revenues -				
Interest earnings	<u>27,632</u>	<u>27,632</u>	<u>13,004</u>	<u>(14,628)</u>
Total revenues	<u>\$ 1,154,656</u>	<u>\$ 1,154,656</u>	<u>\$ 119,024</u>	<u>\$ (1,035,632)</u>
EXPENDITURES/OUTFLOWS				
Loan implementation	\$ 29,656	\$ 29,656	\$ 29,656	\$ -
Loan disbursements	<u>1,125,000</u>	<u>1,125,000</u>	<u>89,368</u>	<u>1,035,632</u>
Total expenditures/outflows	<u>\$ 1,154,656</u>	<u>\$ 1,154,656</u>	<u>\$ 119,024</u>	<u>\$ 1,035,632</u>
BUDGET-TO-GAAP RECONCILIATION:			Actual on Budgetary Basis	
Actual revenue on a budgetary basis			\$ 119,024	
Differences - budget to GAAP:				
For GAAP purposes loan repayments are not recognized as revenue			(26,042)	
For GAAP purposes funds utilized from prior years' distributions are not recognized as revenue			(78,191)	
For budgetary purposes investment earnings do not include unrealized gains and losses			<u>(465)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance			<u>\$ 14,326</u>	

See accompanying notes to financial statements and auditor's report.

SUPPLEMENTARY INFORMATION

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CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

SUPPLEMENTAL SCHEDULE OF FIRST 5 CALIFORNIA (F5CA) FUNDING
FOR THE YEAR ENDED JUNE 30, 2014

Program or Project Title	Beginning Program/Project Balance (as of July 1)		F5CA REVENUES		EXPENDITURES ¹		Ending Program/Project Balance (as of June 30)	
CARES Plus Round 2, Program		\$0	\$110,190	\$110,190	\$110,190	\$230,456		\$0
	F5CA Funds							
	County, Local Funds, CARES							
	County, Federal Race to the Top Funds, CARES					\$87,437		
	County, Local Funds, Administration					\$12,675		
Child Signature Program RFA 1, Program		\$0	\$547,699	\$547,699	\$547,699	\$585,144		\$0
	F5CA Funds							
	County, Local Funds							
Child Signature Program RFA 1, Coordination		\$0	\$100,000	\$100,000	\$100,000			\$0
	F5CA Funds							
Child Signature Program RFA 2		\$0	\$124,405	\$124,405	\$124,405			\$0
	F5CA Funds							
TOTAL F5CA FUNDS		\$0	\$882,294	\$882,294	\$882,294	\$915,712		\$0
TOTAL COUNTY FUNDS								

¹ Expenditures reported must meet or exceed state match requirements, if applicable

See accompanying notes to financial statements and auditor's report.

OTHER REPORTS

DRAFT

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 Commissioners of
Children and Families First Commission of Ventura County:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each governmental fund of Children and Families First Commission of Ventura County (Commission), a component unit of the County of Ventura, California, as of and for the year ended June 30, 2014, 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 __, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Ventura, California
October __, 2014

DRAFT

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Commissioners of
Children and Families First Commission of Ventura County:

Compliance

We have audited the Children and Families First Commission of Ventura County's (Commission), a component unit of the County of Ventura, 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, 2014.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

Opinion

In our opinion, the Children and Families First Commission of Ventura County 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, 2014.

Ventura, California
October __, 2014

DRAFT