

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

Financial Statements for the Years
Ended June 30, 2017 and 2016 and
Independent Auditor's 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, 2017 and 2016, 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, 2017 and 2016, 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 3 through 9 and 24 through 26 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 27 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 __, 2017 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 __, 2017

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, 2017. Please read in conjunction with the Commission's financial statements and accompanying notes that begin on page 10.

FINANCIAL HIGHLIGHTS

- The Commission received \$6,723,254 in tobacco tax revenue, compared to \$7,304,482 received in the prior fiscal year, a decrease of \$581,228 or 8%.
- In FY 2016-17, the Commission received \$787,981 in federal, state, and foundation funding, compared to \$1,200,086 received in the prior fiscal year, a decrease in leveraged funds of \$412,105 or 34%.
- The Commission expenses totaled \$10,463,556 compared to \$11,767,320 incurred in the prior fiscal year, a decrease of \$1,303,764 or 11%.
- The Commission's assets at June 30, 2017 were \$22,252,169, a decrease of \$3,920,089 or 15%, compared to total assets of \$26,172,258 at June 30, 2016, a planned decrease as a result of utilizing Commission resources to sustain program services.
- The Commission's net position at June 30, 2017 was \$20,071,747, a decrease of \$2,784,732 or 12%, compared to a net position of \$22,856,479 at June 30, 2016.
 - This decrease is primarily attributed to the planned use of prior years' distributions 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 2016-17

In FY 2016-17, the Commission implemented the first funding year of its new five-year strategic plan that was adopted in June 2015. The plan builds on the significant accomplishments realized for young children and their families in Ventura County and addresses declining resources in future years. For funding years one through three (FY 2016-19), investments in strategies and programs will largely remain the same. For years four and five (FY 2019-21), strategic investments will shift towards advocacy and capacity building efforts to support and build the overall early childhood system of services that promote parent engagement, build best practices and quality standards, engage partners in cross-system governance and increase the alignment of resources for improved outcomes for young children. Over this five year strategic plan period spanning from FY 2016-17 through FY 2020-21, the Commission anticipates its local investment to total over \$47 million dollars.

The Commission's major strategic plan initiatives were continued for FY 2016-17. The Neighborhoods for Learning (NfL) initiative, a nationally recognized, community-based service delivery model and the Commission's largest programmatic investment, represents 11 place-based NfL programs, with a total of 25 family resource centers throughout the County, bringing together early learning, health and family support resources to families in their neighborhoods. Programs funded under Countywide Strategies continued to play a critical role in the delivery of regional-based family strengthening and health-focused programming.

The Commission has championed access to and expansion of quality early learning opportunities since its inception. In FY 2016-17, the Quality Rating and Improvement System (QRIS) continued to be enhanced in Ventura County through blending local funding with First 5 California's new IMPACT (Improve and Maximize Program so All Children Thrive) program and the Ventura County Office of Education's State QRIS block grant. Working with its implementation partner, the Ventura County Office of Education, local elementary school districts, and local service providers delivering early learning programs, QRIS continued to advance in Ventura County. In FY 2016-17, the Commission received \$717,514 in new funding from First 5 California for participation in statewide efforts to improve the quality of early learning. Ventura County's QRIS program is slated to receive \$2.75 million over a four-year period for participation in the IMPACT program. Additionally, the Commission is serving as the lead agency for one of 10 new IMPACT Hub regional consortiums established by First 5 California for the purpose of supporting the implementation of CA-QRIS in each county and across the regions. First 5 California is providing \$1.1 million in financial resources over four years for this systems-building work for Region 7, comprised of Ventura, Santa Barbara, and San Luis Obispo counties. Enhancing these efforts even further, the Commission

was awarded \$87,681 from the California Department of Education for Hub Region 7 to support the training of QRIS coaches and assessors.

Several accomplishments were realized this year in the Commission's Results-based Accountability and Quality Assurance Initiative. The purpose of this initiative is to assure programs are of the highest quality. This occurs through data collection and analysis, data-based decision-making, data-based strategy development, review of best, promising practices or existing data sources, and continuous quality improvement. In FY 2016-17, the Commission advanced evaluation efforts for Parent and Child Together (PACT) programming. The Commission received \$38,472 in funding from the Center for the Study of Social Policy's national EC-LINC (Early Childhood Learning & Innovation Network for Communities) initiative for a research to action grant for identifying and implementing best practices for playgroups serving children aged zero to three in collaboration with other EC-LINC partners from Alameda County, Boston, and Orange County. The Commission also participated in other EC-LINC projects for measuring the impact of early childhood systems and parent engagement. Evaluation efforts and quality inputs for program improvement and provider skill and expertise were also supported in several ways during FY 2016-17. Continuous Quality Improvement (CQI) is a foundational element of the Commission's evaluation model. A consultant was engaged to further this work by providing training and technical assistance to First 5 funded partners on utilizing data for program decision-making and continuous quality improvement. Program staff will continue to be supported as they develop specific action plans, such as Plan-Do-Study-Act cycles. Additionally, the Commission hosted several trainings, capability building events, and learning communities for funded partners during FY 2016-17.

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, 2017 with June 30, 2016.

Statements of Net Position For the Years Ended			
	June 30, 2017	June 30, 2016	Percent Increase (Decrease)
ASSETS			
Cash and investments	\$20,202,319	\$23,953,195	(16%)
Current and other assets	2,049,850	2,219,063	(8%)
	<u>\$22,252,169</u>	<u>\$26,172,258</u>	(15%)
LIABILITIES			
	<u>\$2,180,422</u>	<u>\$3,315,779</u>	(34%)
NET POSITION			
Unrestricted	<u>20,071,747</u>	<u>22,856,479</u>	(12%)
Total liabilities and net position	<u>\$22,252,169</u>	<u>\$26,172,258</u>	(15%)

As of June 30, 2017, the Commission's total assets were \$22,252,169, a decrease of \$3,920,089 or 15%. 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. Current and other assets include receivables and prepaid expenses such as amounts due from other governments, loans for preschool facilities, and interest receivables. The decrease of 8% or \$169,213 in current and other assets is primarily attributed to a decrease in Proposition 10 tax disbursements realized in May and June along with loan repayments that occurred throughout the year for the Community Investment Loan Fund thereby reducing receivables. This decrease is partially offset by higher grant reimbursements due at year-end for preschool quality efforts. Additionally, the Community Investment Loan Fund issued one new loan for \$250,000 in June 2017, which increased the total balance of loans receivable. The overall decrease in total assets of 15% 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 2016-17, the Commission also accrued all amounts owed by the Commission but not yet paid by year-end. Liabilities include accounts and contracts payable, accrued wages and benefits, and unearned revenue. Liabilities were \$2,180,422 as of June 30, 2017, a decrease of \$1,135,357 or 34%. Liabilities were higher in the prior year as a result of one-time expenditures for a couple of funded programs, timing of certain contractor payments, expenses for CARES program that concluded in FY 2015-16. Moreover, additional preschool spaces were converted to State-funded in FY 2016-17, resulting in lower payments for some funded programs. The liability for unearned revenues in FY 2015-16 was cleared as the grant was implemented in FY2016-17 and revenues were recognized in the current period.

The Commission's net position at June 30, 2017 was \$20,071,747, a decrease of 12% or \$2,784,732, compared to a net position of \$22,856,479 at June 30, 2016. 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 decrease in net position for the current period was slightly more than the prior year, demonstrating consistent use of the fund balance, as planned. The Commission's remaining net position is committed for future program sustainability.

The following table summarizes the changes in net position comparing FY 2016-17 with FY 2015-16:

Statements of Activities For the Years Ended			
	June 30, 2017	June 30, 2016	Percent Increase (Decrease)
Expenses:			
Programs	\$9,780,982	\$10,964,180	(11%)
Program Evaluation (Results Accountability)	257,839	203,858	26%
Administration	417,562	593,235	(30%)
Equipment Replacement	7,173	6,047	19%
Total expenses	10,463,556	11,767,320	(11%)
Revenues:			
Program revenues:			
State distribution of Proposition 10 funds	6,723,254	7,304,482	(8%)
First 5 CA IMPACT Program	717,514	-	n/a
First 5 CA Child Signature Program	-	315,275	(100%)
First 5 CA CARES Plus	-	131,086	(100%)
Federal Revenues -			
California QRIS Certification	22,279	-	n/a
Pay for Success	9,716	-	n/a
Race to the Top	-	749,690	(100%)
Grants - Other	38,472	4,035	854%
Other income	6,000	3,390	77%
Total program revenues	7,517,235	8,507,958	(12%)
General revenues:			
Interest earnings	187,963	156,088	20%
Surplus Monetary Investment Funds (SMIF)	5,476	3,476	58%
Unrealized gain (loss) on investments	(31,850)	59,785	(153%)
Total general revenues	161,589	219,349	(26%)
Change in net position	\$(2,784,732)	\$(3,040,013)	

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. With consideration of the unrealized loss on investments as a result of fair market value adjustments, the net expense in FY 2016-17 against program and general revenues is \$2,784,732.

In FY 2016-17, the Commission spent \$9,780,982 on program services compared to \$10,964,180 in FY 2015-16, a decrease of 11% or \$1,183,198. This decrease is primarily attributed to the completion of the CARES program in FY 2015-16, several preschool spaces previously funded by the Commission that were converted to State-funded in FY 2016-17, and staff vacancies for some of the Neighborhoods for Learning. All unspent program funds are rolled over to subsequent fiscal years for use by June 30, 2019.

Program evaluation (Results-based Accountability and Quality Assurance) includes expenses for the data software system, evaluation services, 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 \$257,839 were higher than the prior year, which came in at \$203,858, primarily due to the one-time research to action grant to evaluate zero to three playgroups that occurred in FY 2016-17.

In FY 2016-17, administrative expenses were 4.0% of operating expenses, below the established target of 5.5% of total operating costs. Actual administrative expenses were lower than budgeted, primarily due to staff vacancies, coming in at 67% of the administrative budget.

The Commission received program revenues totaling \$7,517,235 in FY 2016-17, a decrease of 12% or \$990,723, compared to prior year's total program revenues. The overall reduction in program revenues is primarily due to Proposition 10 distributions, which realized a decrease of \$581,228 or 8%, and lower federal and state funding for preschool quality efforts due to completion of grant programs in the prior year.

In FY 2016-17, the Commission continued to successfully leverage local Proposition 10 funds. Investments in preschool quality continued with the substantial funding that was leveraged in the current year. State funds were secured for the Commission's Quality Rating and Improvement System (QRIS). The Commission received \$717,514 for participation in the First 5 California IMPACT program and \$22,279 from California Department of Education to support the training of QRIS coaches and assessors.

The general revenues (from interest earnings), without consideration of the unrealized gain on investments as a result of fair market value adjustments, in the current period are \$193,439, compared to \$159,564 in the prior year. This 21% increase is a result of improved market rates and higher interest earnings in the current period, even with lower fund balances upon which to draw interest. The majority of these interest earnings come from the Commission's funds that are maintained in the Ventura County Treasury Investment Pool. The Ventura County Treasurer-Tax Collector's Office earned an average rate of 0.80% in FY 2016-17 for funds invested in the County investment pool, compared to the average rate of 0.56% earned in FY 2015-16. Interest rates for FY 2017-18 are forecasted to continue at 0.75%.

The Commission recognized an unrealized loss on investments of \$31,850 in FY 2016-17 compared to the increase in fair value of \$59,785 realized in the prior year. With this loss in fair value for FY 2016-17, the Commission's overall portfolio at June 30, 2017 reflects a gain, albeit very minimal, of just \$5,260.

Without consideration of the unrealized gain on investments as a result of fair market value adjustments, the Commission utilized \$2.8 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 strong and its net position will continue to be used to sustain program services.

BUDGETARY HIGHLIGHTS

OPERATING FUND

As presented in the accompanying "Budgetary Comparison Schedule – Operating Fund" on page 25, the Commission projected \$8,526,389 in revenues and use of resources from the fund balance. The Commission also budgeted for transfers of \$3,841,501 from the Sustainability Fund and \$5,160 from the Community Investment Loan Fund in excess interest earnings, for a total of \$12,373,050 for FY 2016-17.

Actual revenues earned in FY 2016-17 for the Operating Fund were \$7,587,566. The Commission transferred in \$3,167,485 from the Sustainability Fund to maintain programs in the current period, slightly lower than budgeted based on the amount estimated to be needed after closing out FY 2015-16. Revenues and the transfer from the Sustainability Fund sufficiently covered expenditures, therefore, the allocation of resources from the fund balance was not needed in the current period. Since there were no excess interest earnings from the Community Investment Loan Fund after closing out FY 2015-16, the transfer to the Operating Fund did not occur.

Tobacco tax revenues had been originally budgeted at \$6.9 million. Actual Proposition 10 revenues were lower than budgeted, coming in at \$6,723,254. Locally, tobacco tax revenues decreased 8.0% compared to the prior year, rather than the estimated 4% decline. There are two factors contributing to the decrease in Proposition 10 revenues. Ventura County experienced a lower percent distribution of statewide births (2.082% in FY 2016-17 compared to 2.137% in FY 2015-16). This represents 2.5% of the 8.0% decrease. The remaining 5.5% decrease comes from the overall reduction in tobacco tax revenues collected statewide. This is mainly attributed to the passage of Proposition 56, a new \$2 tobacco tax in California that went into effect April 2017, resulting in significantly lower May and June tax distributions. Fortunately, the measure provides a backfill for any loss in revenues attributed to Proposition 56. The backfill will occur in FY 2017-18. In addition to tobacco tax revenues, the Commission received almost \$800,000 in grant funding in FY 2016-17.

In FY 2016-17, the Commission budgeted \$12,373,050 for Operating Fund expenditures. Actual expenditures in the Operating Fund came in at \$10,445,712 for an overall average percent budget expended rate of 85%. In general, the overall budget variance of \$1,917,388 is attributed to the following: 1) staff vacancies and closely

monitoring costs and realizing cost savings for the Commission's administration and internal program areas; 2) conversion of preschool spaces to State-funded in the Oxnard, Santa Clara Valley, and Hueneme/South Oxnard Neighborhood for Learning programs and loss of a preschool facility in the Rio Neighborhood for Learning; 3) ramp up for both the new IMPACT Hub program and the Ocean View Neighborhood for Learning's family support and parent and child together programming; 4) staff vacancies for some funded programs; 5) some periods of enrollment openings in the preschool expansion programs; 6) delaying implementation of challenge grants; and 7) dollars allocated for oral health services that were not contracted. All unspent program funds are rolled over to subsequent fiscal years for use by June 30, 2019.

SUSTAINABILITY FUND

As presented in the accompanying "Budgetary Comparison Schedule – Sustainability Fund" on page 26, the Commission projected revenues from interest earnings of \$74,849 and a transfer of \$3,841,501 to the Operating Fund in FY 2016-17. Recognizing there are reductions in tobacco tax revenue, which will in turn impact the Commission's ability to fund services, the Sustainability Fund provides for the ability to continue to fund program services. The Commission earned interest revenues in the amount of \$93,848 and transferred out \$3,167,485 to the Operating Fund to maintain programs in the current period, slightly lower than budgeted based on the amount estimated to be needed for FY 2016-17 after closing out FY 2015-16.

COMMUNITY INVESTMENT LOAN FUND

As presented in the accompanying "Budgetary Comparison Schedule – Community Investment Loan Fund" on page 27, the Commission allocated \$778,570 in FY 2016-17 for the Community Investment Loan Fund. Of that amount, \$750,000 was budgeted for loan disbursements. 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.

In FY 2016-17, one new loan was issued in the amount of \$250,000 to renovate a facility in East Ventura to provide 54 new spaces, with 20 of the spaces dedicated to infants/toddler care. Commission loan funds are leveraged with the City of Ventura and the borrower, for a total project cost of \$475,000. While one additional loan for \$340,000 was in process during FY 2016-17, it was not finalized prior to June 30, 2017. This loan is expected to be finalized in FY 2017-18.

Actual revenues earned in FY 2016-17 for the Community Investment Loan Fund represent interest earnings of \$24,260 and loan fees of \$5,000. Revenues in the current period more than cover actual expenditures of \$27,941 for costs related to implementing the loan fund. As interest earnings are expected to more than cover the costs related to loan administration, interest earnings that exceed the amount needed to operate the Loan Fund are subsequently transferred to the Operating Fund to help sustain program funding levels.

As of June 30, 2017, this Fund has issued 5 loans, totaling \$856,868, creating a total of 268 new early care and education spaces in high need areas. All loans are in good standing. Additional distribution of loan funds is planned for FY 2017-18.

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 2017-18, the Commission will implement the second funding year of its new five-year strategic plan that was adopted in June 2015. The overall local investment of the Operating Fund for FY 2017-18 is budgeted at just over \$12.1 million, however, with significant leveraged funding, particularly for countywide preschool quality efforts, the Commission's overall budget is \$13.3 million. Since the Commission's major strategic plan initiatives

are continuing for FY 2017-18 and FY 2018-19, it is anticipated that programs will meet their budgeted expenditure levels. The Commission will continue to draw upon available resources in the Sustainability Fund to support program services through FY 2018-19.

During FY 2017-18, planning will continue to occur in preparation for the transition to years four and five (FY 2019-20 and FY 2020-21) of the strategic plan whereby the Commission will shift strategic investments towards advocacy, convening partner organizations, promoting quality standards, and capacity building efforts to support and strengthen the overall early childhood system of services. The planning process will include stakeholder analysis, scenario research and planning, community consultation and the development of recommendations, inclusive of strategies, an implementation model, and a funding plan for FY 2019-20 and FY 2020-21. In years four and five, spending will essentially match revenues as the Sustainability Fund will be depleted. In FY 2017-18, the Commission will also consider strategies for building its financial resources and identify opportunities for maintaining services for young children in Ventura County.

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 (BOE) administrative costs. To prepare for decreases in future years' revenues, the Commission closely monitors and periodically revises its long-term financial plan. For FY 2017-18, the Commission will be closely monitoring the revenue impact of recent bills signed into law including Proposition 56 (the \$2 tobacco tax that went into effect on April 1, 2017), raising the legal age for purchasing tobacco products from 18 to 21, and changes in licensing fees which are expected to reduce administrative costs charged to Proposition 10 by the California Department of Tax and Fee Administration (formerly the Board of Equalization).

The Quality Rating and Improvement System (QRIS) will continue to be enhanced in Ventura County through blending local funding with First 5 California's new IMPACT program and the Ventura County Office of Education's State QRIS block grant. Ventura County's QRIS program is slated to receive approximately \$2.75 million in IMPACT funds over a four-year funding period to participate in statewide efforts to improve the quality of early learning. For FY 2017-18, it is estimated that the Commission will receive \$1,000,000 in grant revenue from First 5 California for preschool quality and system building efforts.

The Commission is positioned to receive \$300,000 in funding from the United States Department of Education, in collaboration with the Ventura County Office of Education (VCOE), to conduct a feasibility study for Pay for Success (PFS), an innovative contracting model that drives government resources toward high-performing social programs. This study is exploring the viability of using a PFS approach to expand high-quality preschool to the nearly 50 percent of children in Ventura County who do not currently have access to quality preschool. As a subrecipient of VCOE, the Commission will engage consulting firms that specialize in this work to assess needs, evaluate the cost-benefit and child outcomes, and identify potential payer sources for preschool. This source of federal funding will continue through June 30, 2019.

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 2016-17, in addition to a local investment of \$9.9 million, the Commission successfully brought in \$800,000 in grants and leveraged program dollars, resulting in a total investment of \$10.7 million. The Commission and its partners will continue to serve 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, please 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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 20,202,319	\$ 23,953,195
Due from other governments	1,264,438	1,640,963
Loans receivable	652,137	476,144
Accounts receivable	35,469	684
Interest receivable	74,593	69,669
Prepaid expenses	<u>23,213</u>	<u>31,603</u>
 Total assets	 <u>\$ 22,252,169</u>	 <u>\$ 26,172,258</u>
 LIABILITIES AND NET POSITION		
Liabilities:		
Accounts and contracts payable	\$ 2,103,515	\$ 3,167,709
Accrued wages and benefits	32,639	23,705
Compensated absences	44,268	64,365
Unearned revenue	<u>-</u>	<u>60,000</u>
Total liabilities	<u>2,180,422</u>	<u>3,315,779</u>
 Net Position - Unrestricted	 <u>20,071,747</u>	 <u>22,856,479</u>
 Total liabilities and net position	 <u>\$ 22,252,169</u>	 <u>\$ 26,172,258</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
EXPENSES		
Program expenses:		
Neighborhoods for Learning	\$ 5,843,826	\$ 6,622,645
Countywide Strategies	1,647,231	1,714,949
Countywide Preschool	1,709,772	2,000,122
Program Management and Community Initiatives	552,212	599,139
Community Investment Loan Fund	27,941	27,325
Evaluation expenses - Results-based		
Accountability and Quality Assurance	257,839	203,858
Administration expenses		
Equipment replacement	417,562	593,235
	7,173	6,047
Total expenses	<u>10,463,556</u>	<u>11,767,320</u>
REVENUES		
Program revenues:		
Proposition 10 apportionment	6,723,254	7,304,482
First 5 California IMPACT Program	717,514	-
First 5 California Child Signature Program	-	315,275
First 5 California CARES Plus	-	131,086
Federal grant revenue -		
California QRIS Certification	22,279	-
Pay for Success	9,716	-
Race to the Top	-	749,690
Grants - Other	38,472	4,035
Other	6,000	3,390
Total program revenues	<u>7,517,235</u>	<u>8,507,958</u>
Net expense	<u>(2,946,321)</u>	<u>(3,259,362)</u>
General revenues:		
Interest earnings	187,963	156,088
Proposition 10 SMIF	5,476	3,476
Unrealized gain (loss) on investments	(31,850)	59,785
Total general revenues	<u>161,589</u>	<u>219,349</u>
Change in net position	(2,784,732)	(3,040,013)
Net position, beginning of year	<u>22,856,479</u>	<u>25,896,492</u>
Net position, end of year	<u>\$ 20,071,747</u>	<u>\$ 22,856,479</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, 2017

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 8,557,616	\$ 11,029,111	\$ 615,592	\$ 20,202,319
Due from other governments	1,264,438	-	-	1,264,438
Loans receivable	-	-	652,137	652,137
Accounts receivable	30,469	-	5,000	35,469
Interest receivable	33,154	34,853	6,586	74,593
Prepaid expenses	23,213	-	-	23,213
Total assets	<u>\$ 9,908,890</u>	<u>\$ 11,063,964</u>	<u>\$ 1,279,315</u>	<u>\$ 22,252,169</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 2,095,550	\$ -	\$ 7,965	\$ 2,103,515
Accrued wages and benefits	32,639	-	-	32,639
Compensated absences	-	-	-	-
Total liabilities	<u>2,128,189</u>	<u>-</u>	<u>7,965</u>	<u>2,136,154</u>
Fund balance:				
Nonspendable	23,213	-	652,137	675,350
Restricted	-	-	-	-
Committed	7,757,488	11,063,964	619,213	19,440,665
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>7,780,701</u>	<u>11,063,964</u>	<u>1,271,350</u>	<u>20,116,015</u>
Total liabilities and fund balance	<u>\$ 9,908,890</u>	<u>\$ 11,063,964</u>	<u>\$ 1,279,315</u>	<u>\$ 22,252,169</u>

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

Total fund balance from above	\$ 20,116,015
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>(44,268)</u>
Net position of governmental activities	<u>\$ 20,071,747</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, 2016

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,033,921	\$ 14,121,114	\$ 798,160	\$ 23,953,195
Due from other governments	1,640,963	-	-	1,640,963
Loans receivable	-	-	476,144	476,144
Accounts receivable	684	-	-	684
Interest receivable	25,614	35,536	8,519	69,669
Prepaid expenses	31,603	-	-	31,603
Total assets	<u>\$ 10,732,785</u>	<u>\$ 14,156,650</u>	<u>\$ 1,282,823</u>	<u>\$ 26,172,258</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 3,155,996	\$ -	\$ 11,713	\$ 3,167,709
Accrued wages and benefits	23,705	-	-	23,705
Compensated absences	-	-	-	-
Unearned revenue	60,000	-	-	60,000
Total liabilities	<u>3,239,701</u>	<u>-</u>	<u>11,713</u>	<u>3,251,414</u>
Fund balance:				
Nonspendable	31,603	-	476,144	507,747
Restricted	-	-	-	-
Committed	7,461,481	14,156,650	794,966	22,413,097
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>7,493,084</u>	<u>14,156,650</u>	<u>1,271,110</u>	<u>22,920,844</u>
Total liabilities and fund balance	<u>\$ 10,732,785</u>	<u>\$ 14,156,650</u>	<u>\$ 1,282,823</u>	<u>\$ 26,172,258</u>

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

Total fund balance from above	\$ 22,920,844
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>(64,365)</u>
Net position of governmental activities	<u>\$ 22,856,479</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, 2017

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
REVENUES				
Program revenues:				
Proposition 10 apportionment	\$ 6,723,254	\$ -	\$ -	\$ 6,723,254
First 5 California IMPACT Program	717,514	-	-	717,514
Federal grant revenue -				
California QRIS Certification	22,279	-	-	22,279
Pay for Success	9,716	-	-	9,716
Grants - Other	38,472	-	-	38,472
Other	1,000	-	5,000	6,000
Total program revenues	<u>7,512,235</u>	<u>-</u>	<u>5,000</u>	<u>7,517,235</u>
General revenues:				
Interest earnings	69,855	93,848	24,260	187,963
Proposition 10 SMIF	5,476	-	-	5,476
Unrealized loss on investments	(11,722)	(19,049)	(1,079)	(31,850)
Total general revenues	<u>63,609</u>	<u>74,799</u>	<u>23,181</u>	<u>161,589</u>
Total revenues	<u>7,575,844</u>	<u>74,799</u>	<u>28,181</u>	<u>7,678,824</u>
EXPENDITURES				
Program expenditures:				
Neighborhoods for Learning	5,843,826	-	-	5,843,826
Countywide Strategies	1,647,231	-	-	1,647,231
Countywide Preschool	1,709,772	-	-	1,709,772
Program Management and Community Initiatives	564,270	-	-	564,270
Community Investment Loan Fund	-	-	27,941	27,941
Evaluation expenditures - Results-based				
Accountability and Quality Assurance	257,839	-	-	257,839
Administrative expenditures	425,601	-	-	425,601
Equipment replacement	7,173	-	-	7,173
Total expenditures	<u>10,455,712</u>	<u>-</u>	<u>27,941</u>	<u>10,483,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,879,868)</u>	<u>74,799</u>	<u>240</u>	<u>(2,804,829)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,167,485	-	-	3,167,485
Transfers out	-	(3,167,485)	-	(3,167,485)
Total other financing sources and uses	<u>3,167,485</u>	<u>(3,167,485)</u>	<u>-</u>	<u>-</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, 2017

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
Change in fund balance	287,617	(3,092,686)	240	(2,804,829)
Fund balance, beginning of year	<u>7,493,084</u>	<u>14,156,650</u>	<u>1,271,110</u>	<u>22,920,844</u>
Fund balance, end of year	<u>\$ 7,780,701</u>	<u>\$ 11,063,964</u>	<u>\$ 1,271,350</u>	<u>\$ 20,116,015</u>

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

Net change in fund balance from above \$ (2,804,829)

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. 20,097

Change in net position of governmental activities \$ (2,784,732)

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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, 2016

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
REVENUES				
Program revenues:				
Proposition 10 apportionment	\$ 7,304,482	\$ -	\$ -	\$ 7,304,482
First 5 California Child Signature Program	315,275	-	-	315,275
First 5 California CARES Plus	131,086	-	-	131,086
Federal grant revenue -				
Race to the Top	749,690	-	-	749,690
Grants - Other	4,035	-	-	4,035
Other	3,390	-	-	3,390
Total program revenues	<u>8,507,958</u>	<u>-</u>	<u>-</u>	<u>8,507,958</u>
General revenues:				
Interest earnings	41,675	89,394	25,019	156,088
Proposition 10 SMIF	3,476	-	-	3,476
Unrealized gain on investments	20,475	37,440	1,870	59,785
Total general revenues	<u>65,626</u>	<u>126,834</u>	<u>26,889</u>	<u>219,349</u>
Total revenues	<u>8,573,584</u>	<u>126,834</u>	<u>26,889</u>	<u>8,727,307</u>
EXPENDITURES				
Program expenditures:				
Neighborhoods for Learning	6,622,645	-	-	6,622,645
Countywide Strategies	1,714,949	-	-	1,714,949
Countywide Preschool	2,000,122	-	-	2,000,122
Program Management and Community Initiatives	604,324	-	-	604,324
Community Investment Loan Fund	-	-	27,325	27,325
Evaluation expenditures - Results-based				
Accountability and Quality Assurance	203,858	-	-	203,858
Administrative expenditures	599,322	-	-	599,322
Equipment replacement	6,047	-	-	6,047
Total expenditures	<u>11,751,267</u>	<u>-</u>	<u>27,325</u>	<u>11,778,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,177,683)</u>	<u>126,834</u>	<u>(436)</u>	<u>(3,051,285)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,244,531	-	-	4,244,531
Transfers out	-	(4,240,170)	(4,361)	(4,244,531)
Total other financing sources and uses	<u>4,244,531</u>	<u>(4,240,170)</u>	<u>(4,361)</u>	<u>-</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, 2016

	Operating Fund	Sustainability Fund	Community Investment Loan Fund	Total Governmental Funds
Change in fund balance	1,066,848	(4,113,336)	(4,797)	(3,051,285)
Fund balance, beginning of year	<u>6,426,236</u>	<u>18,269,986</u>	<u>1,275,907</u>	<u>25,972,129</u>
Fund balance, end of year	<u>\$ 7,493,084</u>	<u>\$ 14,156,650</u>	<u>\$ 1,271,110</u>	<u>\$ 22,920,844</u>

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

Net change in fund balance from above \$ (3,051,285)

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. 11,272

Change in net position of governmental activities \$ (3,040,013)

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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 (Commission), known as First 5 Ventura County, was established by the Ventura County Board of Supervisors in 1998 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 (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 (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.

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, 2017 or 2016.

Compensated Absences

The Commission has estimated its liability for vested compensated absences to be \$44,268 and \$64,365 at June 30, 2017 and 2016, 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 received 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, 2017 and 2016.
- 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, 2017 and 2016.
- 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 Board of Commissioners 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 and comment. The Commission's fiscal year 2016-17 budget was reviewed by the Community Commission for Ventura County and the Ventura County Board of Supervisors on May 23, 2016 and June 7, 2016, 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, Budgetary Comparison Schedule - Sustainability Fund, and Budgetary Comparison Schedule - Community Investment Loan Fund include the budgeted expenditures and transfers for the year, along with management's estimate of revenues for the year. Budgetary control is exercised at the fund level.

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.

New Accounting Pronouncements

In June 2017, the GASB issued Statement of Governmental Accounting Standard No. 87 "Leases" which amends the accounting and financial reporting for leases. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the standard, a lessee will be required to recognize a lease liability and an intangible right-to-use asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 will be effective for the year ending June 30, 2021. The Commission has not yet determined the effects of GASB No. 87 on its financial reporting.

Subsequent Events

The Commission has evaluated subsequent events through **October XX, 2017**, 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. In FY 2016-17, the Commission combined two formerly separate internal cost centers, Program Management and Communications, Education, and Development, into one area and renamed it Program Management and Community Initiatives. Accordingly, amounts reported separately for these cost centers for the fiscal year ended June 30, 2016 were combined under Program Management and Community Initiatives on the statement of activities and statement of revenues, expenditures and changes in fund balance.

2. CASH AND INVESTMENTS

The Commission's carrying value of deposits with a bank was \$59,834 and \$56,412 at June 30, 2017 and 2016, respectively. The corresponding bank balance was \$112,259 and \$62,744, respectively. Bank balances up to \$250,000 are covered by Federal deposit insurance. Any remaining uninsured balance is covered by a written collateral agreement with the 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, 2017 and 2016, the Commission had \$20,142,386 and \$23,896,683, 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 gain of \$5,260 and \$37,110 as of June 30, 2017 and 2016, 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, 2017, 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 S-1+, 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.

The external investment pool held with the County of Ventura categorizes its fair value measurements within their 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; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Commission held no individual investments. All funds are invested in the Ventura County Investment Pool. The Commission's proportionate share of investments in the Ventura County Investment Pool at June 30, 2017 of \$20,142,386 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

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 1) Prop 10 related revenues and 2) participation in preschool quality improvement programs.

4. LOANS RECEIVABLE

The Community Investment Loan Fund provides low-cost capital for facilities development, including planning, construction and amortized loans to create new early care and education spaces. As of June 30, 2017, the Commission has issued five loans to preschool providers which were granted under the provisions of the Community Investment Loan Fund. Notes receivable are evaluated for collectability. No provision for loss was considered necessary by management at June 30, 2017, as all borrowers are paying in accordance with terms.

The loans bear interest at 4.25% per year and are secured by all assets of the business; personal guarantees; and, for two of the loans, a deed of trust. The loans are fully amortized over 7 years with maturity dates through August 2024. Additional distribution of loan funds is planned for FY 2017-18. The loans are administered by the Economic Development Collaborative-Ventura County.

5. OPERATING LEASE

The Commission leases office space from a third party under a lease which expires in December 2020. The future minimum rental payments due under the lease are as follows:

Year ending June 30:		
2018	\$	72,818
2019		74,904
2020		77,052
2021		<u>39,072</u>
	\$	<u>263,846</u>

Rent expense totaled \$71,084 and \$67,974 for the years ended June 30, 2017 and 2016, respectively.

6. RETIREMENT PLAN

The Commission established a 401(a), a defined contribution plan, and a 457, a deferred compensation plan, effective January 1, 2017 through International City/County Management Association Retirement Corporation (ICMA RC) to replace its former SIMPLE (savings incentive plan for employees) IRA retirement plan that capped the employer contribution at a maximum of 3%. The 401(a) and 457 plans are administered by the Commission with the 401(a) for employer contributions and the 457 for employee contributions. Benefit terms are established and may be amended by the Commission. The 457 plan is administered in accordance with Internal Revenue Code (IRC) Section 457.

The Commission contributes 3% of an employee's salary earnings for all regular classified employees that are regularly scheduled to work 20 hours or more per week. The Commission matches additional contributions, up to 4%, for every percent that the employee contributes to their 457 plan. The maximum contribution by the Commission is 7%. The Commission provides immediate 100% vesting for the participants. The retirement contribution by the Commission for the fiscal year ended June 30, 2017 and 2016 was \$34,157 and \$26,940, respectively. All contributions made to the 457 plan are solely at the discretion of the employees.

7. INTERFUND TRANSFERS

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 program services. Additionally, any interest earnings that exceed the amount needed to operate the Community Investment Loan Fund are transferred to the Operating Fund to also help maintain program funding levels. The Commission transferred in \$3,167,485 to the Operating Fund from the Sustainability Fund to help fund programs in FY 2016-17.

8. 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 settlements nor are there any claims that are expected to result in a settlement.

9. 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.

10. 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 2016-17, the Commission entered into contracts with these agencies to provide funding of \$4,294,872. Amounts paid under these contracts amounted to \$3,694,449. The Commission's conflict of interest policy prohibits a commissioner from any decision-making process that involves a related agency.

11. PROGRAM EVALUATION

The Commission spent \$257,839 on program evaluation during the year ended June 30, 2017 which includes the data software system, the annual evaluation report, training/capacity building, coordination of evaluation activities, and technical assistance for funded programs. The Commission spent \$203,858 on program evaluation for the year ended June 30, 2016.

12. 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, 2017, the Commission had granted funds totaling \$831,228 for the purchase of fixed assets and infrastructure projects that are currently active with \$407,303 remaining to be forgiven through the year ending December 31, 2025.

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, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Program Revenues:				
Proposition 10 apportionment	\$ 6,888,555	\$ 6,888,555	\$ 6,723,254	\$ (165,301)
First 5 California IMPACT Program	902,357	902,357	717,514	(184,843)
Federal grant revenue -				
California QRIS Certification	-	-	22,279	22,279
Pay for Success	-	-	9,716	9,716
Grants - Other	60,000	60,000	38,472	(21,528)
Other	-	-	1,000	1,000
Allocation from fund balance	637,301	637,301	-	(637,301)
Total program revenues	<u>8,488,213</u>	<u>8,488,213</u>	<u>7,512,235</u>	<u>(975,978)</u>
General revenues:				
Interest earnings	38,176	38,176	69,855	31,679
Proposition 10 SMIF	-	-	5,476	5,476
Total general revenues	<u>38,176</u>	<u>38,176</u>	<u>75,331</u>	<u>37,155</u>
Total revenues	<u>8,526,389</u>	<u>8,526,389</u>	<u>7,587,566</u>	<u>(938,823)</u>
TRANSFERS				
Transfers in - from Sustainability Fund	3,841,501	3,841,501	3,167,485	(674,016)
Transfers in - from Community Investment Loan Fund	5,160	5,160	-	(5,160)
Total transfers	<u>3,846,661</u>	<u>3,846,661</u>	<u>3,167,485</u>	<u>(679,176)</u>
Total revenues and transfers	<u>\$ 12,373,050</u>	<u>\$ 12,373,050</u>	<u>\$ 10,755,051</u>	<u>\$ (1,617,999)</u>
EXPENDITURES				
Program expenditures:				
Neighborhoods for Learning	\$ 6,780,305	\$ 6,780,305	\$ 5,843,826	\$ 936,479
Countywide Strategies	1,700,800	1,700,800	1,647,231	53,569
Countywide Preschool	1,963,945	1,963,945	1,709,772	254,173
Challenge Grants	100,000	100,000	-	100,000
Program Management and Community Initiatives	815,000	815,000	564,270	250,730
Evaluation expenditures - Results-based				
Accountability and Quality Assurance	365,000	365,000	257,839	107,161
Administrative expenditures	640,000	640,000	425,601	214,399
Equipment replacement	8,000	8,000	7,173	827
Total expenditures	<u>\$ 12,373,050</u>	<u>\$ 12,373,050</u>	<u>\$ 10,455,712</u>	<u>\$ 1,917,338</u>
BUDGET-TO-GAAP RECONCILIATION:				
Actual revenue on a budgetary basis			\$ 7,587,566	
Differences - budget to GAAP:				
For budgetary purposes investment earnings do not include unrealized gains and losses			(11,722)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance			<u>\$ 7,575,844</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 - SUSTAINABILITY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
General revenues -				
Interest earnings	\$ 74,849	\$ 74,849	\$ 93,848	\$ 18,999
Total revenues	74,849	74,849	93,848	18,999
TRANSFERS				
Transfers out - to Operating Fund	(3,841,501)	(3,841,501)	(3,167,485)	674,016
Total revenues and transfers	\$ (3,766,652)	\$ (3,766,652)	\$ (3,073,637)	\$ 693,015
EXPENDITURES	\$ -	\$ -	\$ -	\$ -
BUDGET-TO-GAAP RECONCILIATION:				
Actual revenue on a budgetary basis			\$ 93,848	
Differences - budget to GAAP:				
For budgetary purposes investment earnings do not include unrealized gains and losses			(19,049)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance			\$ 74,799	

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, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES/INFLOWS				
Loan repayments	\$ 106,271	\$ 106,271	\$ 74,008	\$ (32,263)
Loan fees	7,000	7,000	5,000	(2,000)
Allocation from fund balance	<u>615,283</u>	<u>615,283</u>	<u>174,673</u>	<u>(440,610)</u>
Total revenues/inflows	<u>728,554</u>	<u>728,554</u>	<u>253,681</u>	<u>(474,873)</u>
General revenues -				
Interest earnings	<u>50,016</u>	<u>50,016</u>	<u>24,260</u>	<u>(25,756)</u>
Total revenues/inflows	<u>778,570</u>	<u>778,570</u>	<u>277,941</u>	<u>(500,629)</u>
TRANSFERS				
Transfers out - to Operating Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues/inflows and transfers	<u>\$ 778,570</u>	<u>\$ 778,570</u>	<u>\$ 277,941</u>	<u>\$ (500,629)</u>
EXPENDITURES/OUTFLOWS				
Loan implementation	\$ 28,570	\$ 28,570	\$ 27,941	\$ 629
Loan disbursements	<u>750,000</u>	<u>750,000</u>	<u>250,000</u>	<u>500,000</u>
Total expenditures/outflows	<u>\$ 778,570</u>	<u>\$ 778,570</u>	<u>\$ 277,941</u>	<u>\$ 500,629</u>
BUDGET-TO-GAAP RECONCILIATION:			Actual on Budgetary Basis	
Actual revenue /inflows on a budgetary basis			\$ 277,941	
Differences - budget to GAAP:				
For GAAP purposes loan repayments are not recognized as revenue			(74,008)	
For GAAP purposes resources utilized from the fund balance are not recognized as revenue			(174,673)	
For budgetary purposes investment earnings do not include unrealized gains and losses			<u>(1,079)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance			<u>\$ 28,181</u>	
Actual expenditures/outflows on a budgetary basis			\$ 277,941	
Differences - budget to GAAP:				
For GAAP purposes loan disbursements are not recognized as expenditures			<u>(250,000)</u>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance			<u>\$ 27,941</u>	

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

SUPPLEMENTARY INFORMATION

DRAFT

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, 2017

Program or Project Title	Beginning		F5CA		Ending
	Program/Project Balance (as of July 1)	Balance (as of June 30)	REVENUES	EXPENDITURES ¹	
IMPACT	\$0	\$0	\$678,482	\$678,482	\$0
F5CA Funds County, Local Funds				\$383,691	
IMPACT Hub	\$0	\$0	\$39,032	\$39,032	\$0
F5CA Funds County, Local Funds				\$0	
TOTAL F5CA FUNDS	\$0	\$0	\$717,514	\$717,514	\$0
TOTAL COUNTY FUNDS				\$383,691	

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*

INDEPENDENT AUDITOR'S REPORT

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

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ventura, California
October __, 2017

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, 2017.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller 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, 2017.

Ventura, California
October __, 2017

DRAFT