



FIRST 5 ALAMEDA COUNTY COMMISSION MEETING AGENDA

Thursday, September 25, 2014

**First 5 Alameda County
1115 Atlantic Ave.
Alameda, CA 94501
Conference Room A**

9:00 AM – 11:30 PM

Commissioners: *Chair:* Pamela Simms-Mackey M.D., *Vice Chair:* Ricky Choi, M.D., Alex Briscoe, Wilma Chan, Lori Cox, Cecilia Echeverria, Renee Herzfeld, Helen Mendel, CMD, Deborah Roderick Stark

- 1. Public Comment (for items not listed on the agenda) - Limited to 3 minutes per speaker**
- 2. Approval of Minutes from June 26, 2014**
- 3. Staff Announcements**

INFRASTRUCTURE

- 4. FY 2013-14 Financial Audit Presentation (Patel & Associates)**
- 5. Investment Advisor Presentation (Cutwater Asset Management)**
- 6. Contract Authorizations**

PROGRAM

- 7. Trauma Informed Care Presentation**
- 8. State Commission and Association Updates**
- 9. Legislation and Public Policy Updates**

MISCELLANEOUS

- 10. Communication from Commissioners**
 - Review of 2015 Commission Meeting Calendar**
- 11. Adjournment**

Information about the First 5 Conference Center

- The First 5 Conference Center is wheelchair accessible. Please notify us 3 business days in advance if you need special assistance so we can make reasonable arrangements to ensure accessibility.
- Please refrain from wearing strongly scented products to the Conference Center in consideration of those who may experience chemical sensitivities.



FIRST 5 ALAMEDA COUNTY COMMISSION MEETING MINUTES

Thursday, June 26, 2014

**First 5 Alameda County
1115 Atlantic Ave.
Alameda, CA 94501
Conference Room A**

9:00 AM – 11:30 PM

Commissioners: *Chair:* Pamela Simms-Mackey M.D., Alex Briscoe, Wilma Chan, Lori Cox, Cecilia Echeverria, Renee Herzfeld,

Commissioners Absent: *Vice Chair:* Ricky Choi, M.D., Helen Mendel, CMD, Deborah Roderick Stark

Chair Pamela Simms-Mackey and Janis Burger, CEO introduced Cecilia Echeverria the new Commissioner from the Kaiser Permanente Foundation, Safety Net programs. Ms. Echeverria introduced herself and explained her work with Kaiser. She stated that she had worked in each of the 7 national Kaiser Centers.

1. Public Comment (for items not listed on the agenda) - Limited to 3 minutes per speaker

There were no public comments.

2. Approval of Minutes from April 24, 2014

Commission Action: The Commission approved the April 24, 2014 minutes upon motion by Commissioner Herzfeld, seconded by Commissioner Cox and unanimously carried (5 in favor, 0 opposed).

3. Staff Announcements

Kevin Bremond, Program Officer for Community Grants and Co-founder of the Alameda County Fathers Corps, presented. Mr. Bremond introduced the program along with the 7 Father Friendly Principles (See Handout).

Mr. Bremond announced the Fathers Corps celebration occurring tomorrow, June 27th from 11am-3pm. He indicated all Commissioners are invited and encouraged to attend. He offered Father Friendly Principles posters to all Commissioners.

Ms. Burger indicated that a more in depth presentation on this program will occur in September or October.

CONSENT

Chair Simms-Mackey announced that agenda items 4 through 8 were thoroughly discussed with the Executive Committee via conference calls and therefore will not be reviewed by the full Commission unless any Commissioner has a question.

4. Final reading of Long Range Financial Plan

Commission Action: The Commission approved Final reading of Long Range Financial Plan upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed).

5. Final reading of FY 2014-15 Budget

Commission Action: The Commission approved Final reading of FY 2014-15 Budget upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed).

6. GASB 54 Sustainability Fund Balance Commitment

Commission Action: The Commission approved GASB 54 Sustainability Fund Balance Commitment upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed).

7. ACERA 401(h) Recommendation

Commission Action: The Commission approved ... upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed).

8. Employee Handbook Revisions

Commission Action: The Commission approved ACERA 401(h) Recommendation upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed).

INFRASTRUCTURE

9. FY 2013-15 Contract Authorizations

Christine Hom, Grants and Contracts Administrator presented the following contract authorizations. Chair Simms-Mackey facilitated the vote for the following contracts:

- Bright Research Group
Commission Action: The Commission approved Bright Research Group Contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).

Commissioner Echeverria asked what happens after reimbursement from MAA, if the contract will be extended or not. Ms. Hom replied that FRN has a 2 year contract so the \$40,000 will support the staffing for the 2nd year – 2014-15.

- Focali Consulting, Inc.
Commission Action: The Commission approved Focali Consulting, Inc contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0

opposed 0 Abstained).

- Mills College
Commission Action: The Commission approved Mills College upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).
- Alameda County General Services Agency – Child Care Planning Council
Commission Action: The Commission approved Alameda County General Services Agency contract upon motion by Commissioner Echeverria, seconded by Chair Simms-Mackey with Commissioners Briscoe, Herzfeld and Chan abstaining from the vote and unanimously carried (2 in favor, 0 opposed 3 Abstained).

Commissioner Chan facilitated the vote for the following contracts:

- UCSF Benioff Children's Hospital Oakland
Commission Action: The Commission approved UCSF Benioff Children's Hospital Oakland contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld with Chair Simms-Mackey and Commissioner Cox abstaining from the vote and unanimously carried (3 in favor, 0 opposed 2 Abstained).
- Family Resource Network
Commission Action: The Commission approved UCSF Benioff Children's Hospital Oakland contract upon motion by Commissioner Cox, seconded by Commissioner Chan with Chair Simms-Mackey and Commissioner Herzfeld abstaining from the vote and unanimously carried (3 in favor, 0 opposed 2 Abstained).

Commissioner Chan asked regarding abstentions and voting – is 2 votes is enough to pass. Is majority of subset needed? Ms. Hom says that with as few as one vote with a quorum of the full commission present a motion can be carried. Ms. Burger indicated she will double check on this rule and follow up.

10. FY 2014-15 Budget Contract Authorizations

Christine Hom presented the following FY 2014-15 Budget Contract Authorizations.

Chair Simms-Mackey, facilitated the vote for the following contracts:

Evaluation & Technology contracts

- Social Interest Solutions
Commission Action: The Commission approved the Social Interest Solutions contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).
- Xantrion
Commission Action: The Commission approved Xantrion contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).

- Applied Survey Research (Kindergarten readiness study)
Commission Action: The Commission approved Applied Survey Research (Kindergarten Readiness Study) contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).
- Applied Survey Research (Home visiting evaluation)
Commission Action: The Commission approved Applied Survey Research (Home visiting evaluation) upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).
- Public Consulting Group
Commission Action: The Commission approved Public Consulting Group contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).

Continuum of Care & Linkages contracts:

- Lotus Bloom Child & Family Resource Center
Commission Action: The Commission approved Lotus Bloom Child & Family Resource Center contract upon motion by Commissioner Cox, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed 0 Abstained).

Commissioner Briscoe arrived, joining the meeting in progress at 9:20am.

Commissioner Herzfeld facilitated the vote for the following Continuum of Care & Linkages contract:

- UCSF Benioff Children's Hospital Oakland
Commission Action: The Commission approved UCSF Benioff Children's Hospital Oakland contract upon motion by Commissioner Briscoe, seconded by Commissioner Herzfeld with Chair Simms-Mackey and Commissioner Cox abstaining from the vote and unanimously carried (4 in favor, 0 opposed 2 Abstained).

Chair Simms-Mackey facilitated the vote for the following contracts:

- Asian Community Mental Health
Commission Action: The Commission approved the above contract authorization upon motion by Commissioner Cox, seconded by Commissioner Chan and unanimously carried (6 in favor, 0 opposed 0 Abstained).
- Community Initiatives (BANDTEC)
Commission Action: The Commission approved the above contract authorization upon motion by Commissioner Cox, seconded by Commissioner Chan and unanimously carried (6 in favor, 0 opposed 0 Abstained).
- California State University East Bay
Commission Action: The Commission approved the above contract authorization upon motion by Commissioner Cox, seconded by Commissioner Chan and unanimously carried (6 in favor, 0 opposed 0 Abstained).

- Alameda County General Services Agency – Child Care Planning Council
Commission Action: The Commission approved the above contract authorization upon motion by Chair Simms Mackey, seconded by Commissioner Echeverria with Commissioners Briscoe, Herzfeld and Chan abstaining from the vote and unanimously carried (3 in favor, 0 opposed 3 Abstained).

- UCSF Benioff Children's Hospital Oakland
Commission Action: The Commission approved the above contract authorization upon motion by Commissioner Herzfeld, seconded by Commissioner Cox with Chair Simms-Mackey abstaining from the vote and unanimously carried (5 in favor, 0 opposed 1 Abstained).

- Parent Voices
Commission Action: The Commission approved the above contract authorization upon motion by Commissioner Briscoe, seconded by Commissioner Chan with Commissioners Herzfeld and Cox abstaining from the vote and unanimously carried (4 in favor, 0 opposed, 2 Abstained).

PROGRAM

11. Final Reading of FY 2014-15 Strategic Plan

Ms. Burger presented the Final Reading of the FY 2014-15 Strategic Plan. She stated that this is year 2 of the 2013-17 Strategic Plan. She stated that there were only minor revisions to the plan such as the addition of partners and that all changes are noted in red.

Commission Action: The Commission approved the Final Reading of FY 2014-15 Strategic Plan upon motion by Commissioner Cox, seconded by Commissioner Chan and unanimously carried (6 in favor, 0 opposed).

12. School Readiness Assessment

Chris Hwang, Evaluation and Technology Sr. Administrator introduced Randy Nakamura from Hayward Unified School District (HUSD). Mr. Nakamura discussed the First 5 Summer Pre-K programs HUSD hosts.

He introduced the concept of Kinder-Bridge – a 3 week transition plan which is a different format that First 5 is allowing HUSD to try out. They are hoping to explore the option to allow students to attend their home schools as well as be open to additional funding sources. (See PowerPoint) He announced that he will return to a Fall Commission meeting to report on whether or not this method was successful.

Commissioner Briscoe asked about the Special Day class – if it was 3 week or year round. Mr. Nakamura explained that this is not part of the 3 week model he discussed. Commissioner Briscoe asked about AB36 32 shift of responsibility for behavioral health delivery to school districts, the question is can First 5 look at this in districts where this has occurred– what is the financial brunt? Has it increased? Are you assessing for Medi-Cal enrollment for special ed. children to prevent financial strain? Mr. Nakamura

stated that that they are trying to build capacity, connect families with Medi-Cal along with helping families within the district.

Commissioner Herzfeld expressed appreciation for the presentation, that she sees the value in the Kinder-Bridge model. She said she would be interested to hear a year from now the results of this program.

Ms. Hwang presented the results of the 2013 School Readiness Assessment. She indicated that this will give a snapshot of where Alameda County children are in terms of Kindergarten Readiness. (See PowerPoint) School Readiness is defined according to 4 building blocks – Self Care, Self-Regulation, Social Expression and Kindergarten Academics. Only 45% of children were ready in all domains. 1 in 8 had concerns in all domains.

Commissioner Cox asked when the survey was performed – pre-kindergarten or during kindergarten. Ms. Hwang replied that the survey was completed by teachers and parents in the first 4 weeks of Kindergarten.

Commissioner Chan asked regarding the success result of child being Asian- if this was predictive across all income strata. Ms. Hwang answered that income had an effect, but that in combination with the other factors, it was a wash. Income alone is not as predictive as each of these independently. Commissioner Briscoe asked about gender and income. Chair Simms-Mackey commented about the effect of school API may also be a factor.

Commissioner Herzfeld commented about trauma informed care, and asked whether impacting health and well-being might happen through being responsive to child stress. Commissioner Cox agreed that by being responsive to trauma can make an impact. Commissioner Briscoe mentioned the county funded behavioral health program working on this.

Commissioner Cox stated around the gender predictor and asked if there is anything to be done about the discrepancy between girl and boy performance. Ms. Hwang stated that she wants to test this. Ms. Burger mentioned that in Help Me Grow there are much higher levels of boys scoring of concern. Commissioner Cox connected this to the Fathers Corps presentation and wondered if there is a connection between early starts with boys to impact when they become fathers. Ms. Hwang mentioned that parent child attachment was not tracked in this study.

Commissioner Echeverria connected trauma and gender regarding how boys experience traumatic events (poverty, divorce, etc.). Chair Simms-Mackey stated that not every school or environment is set up for boys.

Commissioner Briscoe stated that he wonders how critical academic readiness is when social-emotional preparedness is in place.

Commissioner Herzfeld stated that the family engagement piece is huge. She stated that First 5 should be utilizing the Strengthening Families framework to address this. Commissioner Echeverria said she wanted to know how small differences in “In Progress” and “Proficient” readiness really play out. Also regarding trauma and family mobility, she mentioned the number of family moves, what it means to children and families and how it affects Kindergarten readiness.

Chair Simms-Mackey mentioned that maybe the children with needs in all domains – perhaps need a maturation year before beginning Kindergarten. She stated that many of the predictive factors are already in the works. Some we can change, but many we cannot.

Commissioner Cox emphasized the need to strengthen families, that this should be a focus; looking for ways to support parents without blame for their child's school preparedness. Ms. Hwang asked – without direct service performance – how is First 5 to do this? Ms. Burger commented that we are working to infusing services with Strengthening Families ideals.

Commissioner Echeverria asked whose responsibility is each of the kindergarten readiness block? Is it the teacher's responsibility to work on academics? Parents on social-emotional? Ms. Burger answered that the Talk Read Sing Campaign addresses some of these with teaching through talking.

Commissioner Chan left the meeting at 10:17am. Commissioner Briscoe was out the room from 10:17-10:27.

Commissioner Cox left at 10:32am.

13. Talk, Read, Sign Campaign Presentation

Ms. Burger presented the campaign (see PowerPoint Presentation) with the aim of limiting the word gap between high and low performing children. Kickoff will be at Children's Fairyland Oakland. It will be a 3-4 month pilot program in Alameda County. The campaign aims at engaging conversation and engagement between parents and young children.

Commissioner Briscoe left at 10:37am

There is a push on TV, movies, through billboards, radio ads, etc. to distribute these messages. Ms. Burger asked for an update from Susan Greenwald on how Children's Hospital Oakland (followed by SF) will implement the campaign. It will be a 3.5m 3 year project. She announced that this campaign has gained more momentum than so many other projects and has buy in from both Oakland and SF. Ms. Burger continued that First 5 will work on distributing in hospitals for newborns along with via Community Grantees.

Chair Simms-Mackey stated that the campaign should be pushed to at least four languages that English and Spanish alone are not sufficient. Commissioner Herzfeld mentioned that Oakland is a great place to start but wants to explore how to make this more county wide. Ms. Burger mentioned a website that she will share with commissioners regarding a mayors early learning movement.

14. State Commission and Association Updates

Ms. Burger announced that she has only been in one State Commission meeting since her new position. The update she had is that the First 5 Associations advocating for budget priorities. She concluded by mentioning that the State Summit is coming this fall with panels featuring First 5 representation.

15. Legislation and Public Policy Updates

State Budget

Ms. Burger announced state budget update highlights:

- There was an allocation of \$50m as a block grant incentive in Quality Rating Improvement Systems
- \$70m to expand state preschool
- \$17m to restore slots in other child care programs
- Improvements to Transitional Kindergarten (TK) standards
- Increase in reimbursement rates
- All low income four year olds to receive preschool
- Restoration of \$8m for Early Start through Regional Center
- \$46m increase in Cal Works grants

MISCELLANEOUS

16. Communication from Commissioners

There were no further Commissioner comments

17. Adjournment

Meeting adjourned at 10:52 am.

Information about the First 5 Conference Center

- The First 5 Conference Center is wheelchair accessible. Please notify us 3 business days in advance if you need special assistance so we can make reasonable arrangements to ensure accessibility.
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To: First 5 Alameda County Commission

From: Janis Burger, Chief Executive Officer

Date: September 25, 2014

Subject: Adoption of FY 2013-14 Audit

REQUESTED ACTION

To review and approve the FY 2013-14 audit for adoption.

BACKGROUND

It is a requirement of the Proposition 10 legislation and First 5 California that each First 5 county commission complete an annual audit by October 15 and submit a report to First 5 California and the State Controllers Office by November 1.

The annual audit of the financial statements, the compliance audit (Expanded Audit) and the Single Audit of Federal Expenditures under OMB Circular A-133 have been completed and the opinion from the auditor is unqualified. The audit firm of Patel & Associates will present the audit to the full Commission on September 25th. Mr. Ramesh Patel, principal auditor, will present.

The audit process included internal controls testing of each area, and auditing as described:

- a. Audit cash disbursements, including appropriate documentation and authorization; including a comprehensive review of grants and contracts
- b. Audit Payroll, tying to general ledger, timesheets, I-9s, offer letters;
- c. Audit Revenues, including sending confirmation letters;
- d. Audit receivables from Prop 10 tobacco tax and other receivables
- e. Audit of accrued liabilities and confirmation of subsequent payments
- f. Audit of cash receipts

- g. Audit each account on the general ledger, starting with balance then audit of detailed transactions (the general ledger chart of accounts is attached) within the account.
- h. Audit bank reconciliations
- i. Confirm cash in County Treasury and investments with money managers
- j. Audit Prepaid expense accounts
- k. Audit of Accrued vacation
- l. Audit of all expense accounts and analysis of variances
- m. Audit of investment disclosure
- n. Audit Lease disclosure
- o. Preparation of Restricted Funds presentation
- p. Audit of Fixed Assets and preparation of schedule
- q. Review of Retirement Disclosure
- r. Development of Year-end Financial Statements
- s. Expanded compliance audit (related to SB 35 and AB 109)
 - i. Contracting and procurement
 - ii. Administrative costs
 - iii. Conflict of interest
 - iv. County ordinance
 - v. Long range financial plan
 - vi. Financial condition of the commission
 - vii. Program evaluation
 - viii. Salaries and benefits policies

The sections of the audit package are as follows.

- Independent auditors report
- Management Discussion and Analysis:
 - ◆ Financial highlights
 - ◆ Comparative information from 2012-13
 - ◆ List of conditions that will affect First 5's future financial situation
- Statement of Net Assets: shows total assets as of June 30
- Statement of Activities

- Balance Sheet: show total liabilities and fund balance
- Reconciliation of Balance to Net Assets: shows reconciliation of items that are not reported in the Balance Sheet but are reported in the Net Assets
- Statement of Revenues, Expenditures and Changes in Fund Balance: show the specific year-end revenue and expenses in 2013-14.
- Reconciliation: reconciles items shown in one schedule but not in another
- Budget to Actual: shows original budget, final budget, actual expenses and variance. This is perhaps the most useful schedule for Commissioners.
- Notes to Financial Statements:
 - ◆ First 5 has prepared an investment disclosure consistent with GASB 40 requirements. Note 2 contains this disclosure.
 - ◆ Note 6 is a requirement of the Expanded Audit and discloses the cost of Evaluation for 2013-14.
- Supplementary Schedule of Revenue and Expenditures by Fund Source
- Schedule of Expenditures of Federal Awards (Single Audit. OMB A-133)
- Independent auditors report on internal controls
- Independent auditors report on state compliance
- Status of prior year findings (there were no findings)

FISCAL IMPACT

The total cost of the 2013-14 audit is \$34,900, paid to Patel & Associates. There is no additional fiscal impact as all of the funds are currently budgeted.

RECOMMENDATION

That the Commission review and approve the 2013-14 audit for adoption.

Submitted by:

Reviewed by:

Janis Burger
Chief Executive Officer

Mark R. Rasiah
Financial Controller

FIRST 5 ALAMEDA COUNTY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2014

Draft

**FIRST 5 ALAMEDA COUNTY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 Alameda County
Alameda, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the First 5 Alameda County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the First 5 Alameda County'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 First 5 Alameda County'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 First 5 Alameda County'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 major fund of the First 5 Alameda County as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes to the basic financial statements, the First 5 Alameda County implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

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 4 through 9 and 25 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the First 5 Alameda County's basic financial statements. The schedule of revenues and expenditures by fund source and fund balance of CCFC funds for First 5 Programs listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues and expenditures by fund source and fund balance of CCFC funds for First 5 Programs is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 September XX, 2014 on our consideration of the First 5 Alameda County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the First 5 Alameda County's internal control over financial reporting and compliance.

Oakland, California
September XX, 2014

Draft

**FIRST 5 ALAMEDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This Management's Discussion & Analysis is intended to serve as a narrative overview and analysis of the financial activities of First 5 Alameda County for the year ended June 30, 2014. The information presented should be read in conjunction with the information furnished in the financial statements and notes to the financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

- At the end of the Fiscal Year (FY) 2013-2014, First 5 Alameda County had assets of \$44.2 million and liabilities of \$3.5 million. The assets consist primarily of \$30.5 million in cash and investments, \$4.9 million in other assets, and free hold land and building at a net cost of \$5.1 million. A net position of \$40.8 million was available to meet First 5 Alameda County's ongoing operating expenses.
- During 2013-14, First 5 Alameda County revenues were approximately \$18.4 million, representing a marginal increase over the prior year. Total expenditure was \$17.1 million compared to \$18.1 million in the prior year.
- Revenue from the Proposition 10 tobacco tax measure was \$13.2 million, a decrease of nearly \$0.5 million from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

- The First 5 Alameda County financial statements include the statement of net position, statement of activities and the statement of revenues, expenses and changes in fund balance – budget and actual. Notes to the financial statements are also included.
- The statement of net position provides information about the financial position of First 5 Alameda County as a whole on the full accrual basis, similar to that used in the private sector. The statement of activities provides information about the First 5 Alameda County's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of First 5 Alameda County's divisions.
- The statement of activities explains in detail the change in net position for the year. All First 5 Alameda County's assets and liabilities are current (generally within 12 months).
- The statement of revenues, expenses and changes in fund balance – budget and actual, presents First 5 Alameda County's budget comparisons between the original budget and the final amended budget compared with actual resource inflows and outflows.
- The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in the financial statements.

STATEMENT OF NET POSITION

The net position of First 5 Alameda County increased by approximately \$1.2 million from the prior year. The composition of net position as of June 30, 2014 and 2013 is shown in the following table:

(All Amounts in \$000s)	<u>FY 2014</u>		<u>FY 2013</u>		<u>Change</u>
Cash and investments	\$	30,484	\$	34,470	\$ (3,986)
Receivables		3,648		3,466	182
Prepaid expenses				2	(2)
Other assets		4,979			4,979
Capital assets (Net)		5,148		5,340	(192)
		<hr/>		<hr/>	
Total assets		44,259		43,278	981
		<hr/>		<hr/>	
Accrued payroll		169		152	17
Other accrued liabilities		3,286		3,545	(259)
		<hr/>		<hr/>	
Total liabilities		3,455		3,697	(242)
		<hr/>		<hr/>	
Net position	\$	40,803	\$	39,581	\$ 1,222
		<hr/> <hr/>		<hr/> <hr/>	

Total assets include \$5 million deposited with Philanthropic Ventures Foundation, under a collaborative partnership designed to explore opportunities for raising matching grants for First 5 Alameda County programs. Capital assets primarily represent the value of the new office building at 1115 Atlantic Avenue in Alameda at cost net of depreciation.

Fiscal year 2013-2014 is the eighth full year of investment of funds outside of the Alameda County Treasury's investment pool. The fair market value of these investments was \$25.4 million as of June 30, 2014. During FY 2013-2014 fees charged by money managers and custodial services totaled \$33,591 compared to \$38,238 in the prior year, a decrease of \$4,647. Recent economic indicators show that the economic recovery has stabilized somewhat and that the national unemployment rate is near 6.1%. This bodes well for future performance of the portfolio. Investment Earnings increased from \$103,719 in 2012-2013 to \$386,816 in 2013-2014, an increase of \$283,097 partly due to improving yields, and partly due to the lower proportion of cash in the portfolio in the latter part of the year.

Receivables primarily consist of Prop 10 tobacco taxes for May and June 2014, that were received after the end of the fiscal year. While Receivables remained almost at the same levels as in the prior year, accrued liabilities decreased by nearly \$0.25 million, primarily due to the timing of payments to large contractors such as Children's Hospital Oakland and the Alameda County Public Health Department, that bill us on a quarterly basis, a few months after the close of our fiscal year.

STATEMENT OF ACTIVITIES

During the year ended June 30, 2014, First 5 Alameda County's net position increased by approximately \$1.2 million from the prior year. This change in net position is shown in the following table:

(All Amounts In \$000s)	<u>FY 2014</u>		<u>FY 2013</u>		<u>Change</u>
Total program revenues	\$	4,767	\$	4,233	\$ 534
Total program expenses		<u>17,143</u>		<u>18,147</u>	<u>1,004</u>
Program loss		(12,376)		(13,914)	1,538
General revenues		<u>13,597</u>		<u>13,838</u>	<u>(241)</u>
Change in net position		1,221		(76)	1,297
Net position, beginning of year		<u>39,582</u>		<u>39,657</u>	<u>(75)</u>
Net position, end of year	\$	<u><u>40,803</u></u>	\$	<u><u>39,581</u></u>	<u><u>1,222</u></u>

Program Revenues consist of: \$732,000 for MediCal Administrative Activities (MAA); \$50,000 from the Packard Foundation; \$100,000 from the Khoshland Family Foundation; \$450,000 from the Long Foundation; \$413,000 unspent grant funds from the East Bay Community Foundation; \$1.5 million from inter-agency sources within Alameda County; \$256,000 for CARES Plus and \$1.2 million from federal sources.

FY 2013-14 represents the first year of the current 4-year strategic plan, which resulted in a strategic realignment of programs. Total Program Expenses were lower by \$1.0 million from the prior year. Total General Revenues decreased by nearly \$0.2 million, due to a \$0.5 million drop in Prop 10 Tobacco Taxes offset by a \$0.3 million increase in investment income. Prop 10 tobacco tax revenues declined by nearly 3.5% over the prior year. This trend is expected to continue for the foreseeable future. Tobacco taxes are allocated to counties in proportion to the number of births in each county. In addition to the Alameda County birth rate, Tobacco tax allocations are affected by a variety of factors including statewide tobacco sales, tax collection methods, and birth rate changes in the other counties.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

The Commission authorized an increase of \$787,000 to the operating budget resulting in a final budget of \$19,587,000.

COMPARISON OF BUDGET TO ACTUAL

The following table presents a budget to actuals comparison of revenues and expenditures for the current fiscal year.

(All Amounts in \$000s)	Final Budget	Actual	Variance**
Revenues:			
Prop 10 Tobacco tax	\$ 13,037	\$ 13,172	\$ 135
Sustainability fund	1,731		(1,731)
Interagency income	1,434	1,521	87
Grants	2,167	2,514	347
Fiscal leveraging	700	732	32
Investment income	500	388	(112)
Miscellaneous income	17	38	21
Total revenues	\$ 19,587	\$ 18,365	\$ (1,222)
Expenditures:			
Personnel	\$ 6,699	\$ 6,285	414
Program contracts/grants/MOUs	11,456	9,785	1,671
Operating expenses	812	454	358
General expenses	620	614	6
Total expenditures	\$ 19,587	\$ 17,138	\$ 2,449
Excess of revenues over expenditures	\$ -0-	\$ 1,227	\$ 1,227

** Note: Revenue shortfalls are shown within parenthesis as negative variances. Cost savings and higher than budgeted revenues are shown as positive variances.

The final budget anticipated a drawdown of \$1.7 million from the Sustainability Fund for FY 2013-2014 for Operations. However, largely due to savings in expenditures, the Sustainability Fund was not tapped. The Sustainability Fund is First 5 Alameda County's reserve fund which was set aside to cover expenditures and future costs as the expected decline of tobacco tax revenue occurs.

Fiscal leveraging of \$732,131 reflects MAA (MediCal Administrative Activities) revenue in FY 2013-2014.

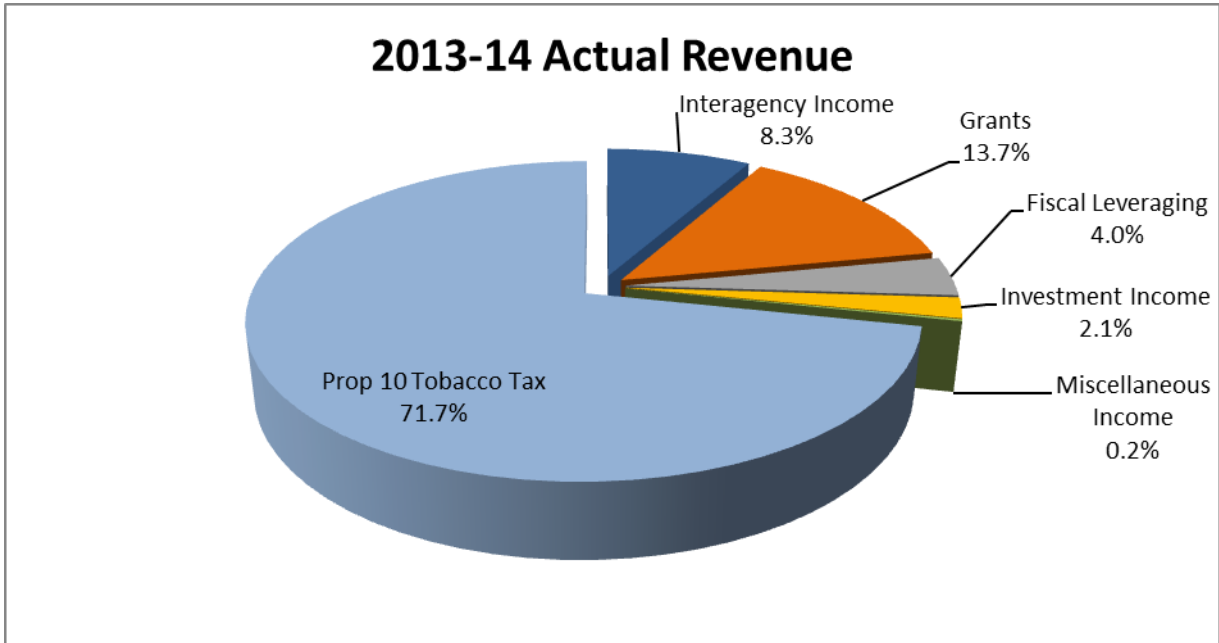
Investment revenue was budgeted at \$500,000 and \$387,816 was reported, a difference of \$112,184 under budget. See further discussion of investments on page 2.

Personnel Salary and Benefits were budgeted at \$6.7 million and actual expenses were \$6.3 million, a saving of nearly \$0.4 million or about 6.2 % below projections. This was mainly due to open positions and periodic vacancies that occurred in FY 2013-14.

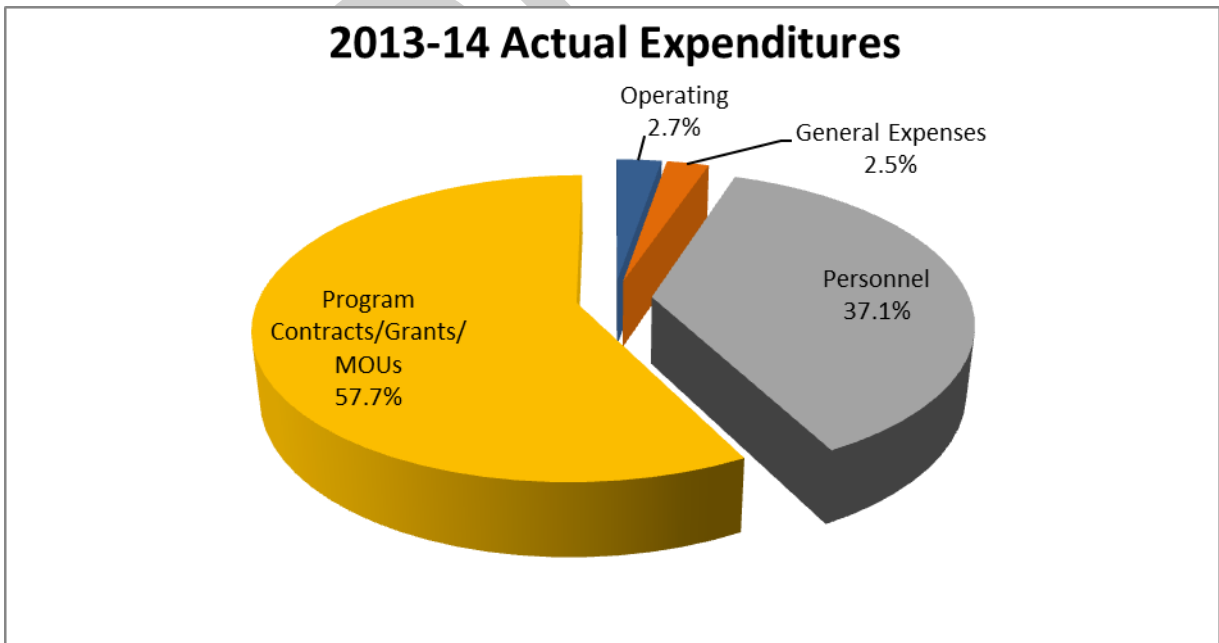
Program Contracts/Grants/MOUs were budgeted at \$11.5 million whereas actual expenses were \$9.8 million, which is consistent with expenditures in this category in the prior year.

Following are graphs of First 5 Alameda County's revenue by source and expenditures by category for 2013-2014

REVENUES BY SOURCES



EXPENDITURES BY CATEGORIES



SUMMARY OF KNOWN FACTS, DECISIONS OR CONDITIONS

The following are currently known facts, decisions or conditions that are expected to have a significant impact on the financial position or changes in financial position of First 5 Alameda County:

Tobacco tax receipts for First 5 Alameda County for fiscal year 2013-2014 declined by 3.5% over FY 2012-13 levels. The State of California Department of Finance projects tobacco tax revenues to continue to decline at an annual average rate of nearly 3.5% over the 2013-2017 time frame.

An increase in Alameda County Employees' Retirement Association employer contribution rate has resulted in an increase in First 5 Alameda County benefits expenses as well as continued increase in employee health insurance premiums.

First 5 Alameda County completed a four year strategic plan in December 2012 that covers the period from July 2013 through June 2017. The Strategic Plan includes nine core strategies that integrate the many different services and supports focused on specific target populations and outcomes. Due to the projected decline in tobacco tax revenues, program reductions are planned for FY 2017-18.

All of the above factors were considered in preparing First 5 Alameda County's budget for fiscal year 2014-2015.

REQUESTS FOR INFORMATION

The annual financial report is designed to provide a general overview of the First 5 Alameda County's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Janis Burger

Chief Executive Officer

First 5 Alameda County

1115 Atlantic Ave.

Alameda, CA 94501

**FIRST 5 ALAMEDA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets:

Cash and investments (Note 2)	\$ 30,484,035
Tobacco taxes receivable	2,403,809
Other receivables	1,162,902
Interest receivable	81,050
Capital assets, net (Note 3)	5,147,759
Other assets (Note 7)	<u>4,979,424</u>
Total assets	<u>44,258,979</u>

Liabilities:

Accrued payroll	169,275
Employee benefits payable	144,908
Accrued vacation	313,702
Accounts payable and accrued liabilities	<u>2,827,666</u>
Total liabilities	<u>3,455,551</u>

Net position:

Invested in capital assets	5,147,759
Unrestricted	<u>35,655,669</u>
Total net position	<u>\$ 40,803,428</u>

The accompanying notes are an integral part of these financial statements

**FIRST 5 ALAMEDA COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net</u> Expenses
Governmental activities:			
Continuum of Care & Linkages	\$ 7,885,820	\$ 3,287,668	\$ (4,598,152)
Provider Capacity Building	6,541,554	1,360,462	(5,181,092)
Policy, Advocacy & Communications	484,644		(484,644)
Evaluation and Technology	963,393	118,949	(844,444)
Administration	<u>1,267,655</u>		<u>(1,267,655)</u>
Total governmental activities	<u>\$ 17,143,066</u>	<u>\$ 4,767,079</u>	<u>(12,375,987)</u>
General revenues:			
Tobacco tax			13,171,926
Investment earnings			387,816
Miscellaneous			<u>37,871</u>
Total general revenues			<u>13,597,613</u>
Change in net position			1,221,626
Net position - beginning			<u>39,581,802</u>
Net position - ending			<u>\$ 40,803,428</u>

The accompanying notes are an integral part of these financial statements

**FIRST 5 ALAMEDA COUNTY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2014**

Assets:

Cash and investments	\$	30,484,035
Tobacco taxes receivable		2,403,809
Interest receivable		81,050
Other receivables		1,162,902
Other assets		<u>4,979,424</u>
 Total assets	 \$	 <u><u>39,111,220</u></u>

Liabilities:

Accrued payroll	\$	169,275
Payroll taxes and employee benefits payable		144,908
Accounts payable and accrued liabilities		<u>2,827,666</u>
 Total liabilities		 <u><u>3,141,849</u></u>

Fund balance:

Committed:		
Program contracts		<u>35,969,371</u>
 Total fund balance		 <u><u>35,969,371</u></u>
 Total liabilities and fund balance	 \$	 <u><u>39,111,220</u></u>

The accompanying notes are an integral part of these financial statements

FIRST 5 ALAMEDA COUNTY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total governmental fund balance	\$ 35,969,371
Amounts reported in governmental activities in the statement of net position are different because:	
Accrued vacation not treated as an expenditure in governmental funds	(313,702)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	<u>5,147,759</u>
Total net position - governmental activities	<u>\$ 40,803,428</u>

The accompanying notes are an integral part of these financial statements

FIRST 5 ALAMEDA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES:

Prop 10 Tobacco tax	\$ 13,171,926
Interagency income	1,520,933
Grants:	
Federal	1,248,877
State	256,350
Private	1,008,788
Fiscal Leveraging:	
Medi-Cal Administrative Activities (MAA)	732,131
Investment income	387,816
Miscellaneous income	<u>37,871</u>
Total revenues	<u>18,364,692</u>

EXPENDITURES:

Personnel:	
Salaries	4,296,942
Benefits	<u>1,987,595</u>
Sub-total	<u>6,284,537</u>
Program Contracts/Grants/MOU's:	
Contracts	7,955,808
Grants	1,646,675
Child development corps stipends	141,550
Training stipends	10,430
Professional services contracts	<u>30,782</u>
Sub-total	<u>9,785,245</u>
Training expenses:	
Copy/printing	31,307
Food/hospitality	41,601
Space rental	1,250
Honoraria	33,188
Postage	1,043
Professional services	119,196
Supplies	150,830
Travel	38,108
Employee cell phones	9,708
Staff development/training	<u>27,651</u>
Sub-total	<u>453,882</u>
General expenses:	
Communications	20,369
Copying/printing	12,040
Equipment purchase	14,600
Equipment leases/rentals/maintenance	6,362
Postage	9,652
Insurance	82,700
Membership	5,690
Professional services	161,191
Utilities	37,292
Janitorial services	33,231
Dues and taxes	23,176
Maintenance	8,727
Supplies	<u>5,743</u>
Sub-total	<u>420,773</u>
Total expenditures	<u>16,944,437</u>
Net change in fund balance	1,420,255
Fund balance - beginning of year	<u>34,549,116</u>
Fund balance - end of year	<u>\$ 35,969,371</u>

The accompanying notes are an integral part of these financial statements

**FIRST 5 ALAMEDA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in governmental fund balance	\$	1,420,255
Amounts reported in governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeds the capital outlays in the current period.		(192,680)
Change in compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(5,949)</u>
Change in net position of governmental activities	\$	<u><u>1,221,626</u></u>

The accompanying notes are an integral part of these financial statements

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - First 5 Alameda County was established in accordance with California Health and Safety Code Section 130140, which was enacted as a result of the passage of the California Children and Families Act of 1998 (Proposition 10). This act levies a 50-cent tax on tobacco products, of which 80 percent of the revenues are distributed to county commissions established specifically to fund programs for the purposes of promoting, supporting, and improving the early development of children from the prenatal stage to five years of age. Information on the Commission can be found on the Internet at <http://www.ackids.org/>.

Basis of Presentation and Accounting

First 5 Alameda County has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all governmental activities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of position presents First 5 Alameda County's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is reported in three categories.

- *Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. There was no restricted net position.
- *Unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

The statement of activities demonstrates the degree to which direct expenses of each program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Indirect expenses are allocated to programs based on the percentage of costs per program to total costs. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a program. Tobacco taxes are reported as general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available within the current period or soon enough thereafter to pay liabilities of the current period. First 5 Alameda County uses a 60-day availability period for revenue recognition for all governmental fund revenues. All revenues are considered susceptible to accrual. Revenues include fiscal leveraging which consists of revenue from federal Title 19 funds for services to people who are eligible for or who receive Medi-Cal. Revenue is provided on a reimbursement basis for programs with eligible activities. Federal funding source include Medi-Cal Administrative Activities (MAA). Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available for use, it is First 5 Alameda County's policy to use restricted resources first.

First 5 Alameda County uses a General Fund to account for all its activities.

Fund Equity – Following is a description of the Commission's fund balance classifications:

- **Nonspendable** – Includes amounts that cannot be spent because they are either (a) not in spendable form (inventories, prepaid amounts, etc.) or (b) legally or contractually required to be maintained intact (such as the corpus of principal of a permanent fund).
- **Restricted** – Includes amounts with constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of First 5 Alameda County Board. Those committed amounts cannot be used for any other purpose unless First 5 Alameda County Board removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts. First 5 Alameda County establishes grants allocation amounts for specific program and/or recipient by formal Commission Board vote.
- **Assigned** – Includes amounts First 5 Alameda County intends to be used for specific purposes that are neither restricted nor committed.

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

- **Unassigned** – Resources that cannot be reported in any other classification.

First 5 Alameda County applies restricted resources first when an expense is incurred for purposes for which both restricted and other funds are available, then First 5 Alameda County applies amounts to the committed fund balance followed by assigned and then unassigned amounts.

Budget Basis of Accounting – First 5 Alameda County prepares its budget on a cash basis. The actual results of operations as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual to provide a meaningful comparison of actual results with the budget. Budgetary control is at the cost center level. Appropriations lapse at fiscal year end. First 5 Alameda County made one budget amendment during the year.

Capital Assets – Capital assets, which consist of land, building, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by First 5 Alameda County as assets with an initial, individual cost of more than \$5,000, and an estimated useful life of more than one year. Such assets are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of all assets ranging from 5 to 27.5 years.

Compensated Absences – It is First 5 Alameda County’s policy to permit employees to accumulate earned but unused vacation, sick and paid time-off benefits. Vacation pay that is expected to be liquidated with available financial resources is reported as a liability of First 5 Alameda County.

Deferred Revenue – In governmental funds, deferred revenue arises when revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises, in governmental funds, when a resource is received by First 5 Alameda County before it has a legal claim to it, as when grant money is received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when First 5 Alameda County has a legal claim to the resources, revenue is recognized.

Income Taxes – First 5 Alameda County is an instrumentality of the State of California. It is exempt from income taxes under Internal Revenue Code Section 115.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: CASH AND INVESTMENTS

The following is a summary of deposits and investments as of June 30, 2014:

	<u>Investment Maturities in Years</u>		<u>Total Fair Value</u>	<u>Moody's Credit Rating</u>	<u>Portfolio Allocation</u>
	<u>Less Than 1</u>	<u>1 – 5</u>			
Cash and cash deposits:	\$	\$	\$ <u>4,695,198</u>	Not rated	<u>15.40%</u>
Investments:					
Investment in County pool	385,564		385,564	Not rated	1.26%
Money market mutual funds	96,193		96,193	Not rated	0.32%
Commercial papers	254,813	1,269,159	1,523,972	See below	5.00%
U.S. Treasury obligations		3,706,716	3,706,716	Aaa	12.16%
Federal agency securities	207,556	12,701,976	12,909,532	Aaa	42.35%
Corporate bonds and notes	<u>2,096,103</u>	<u>5,070,757</u>	<u>7,166,860</u>	See below	<u>23.51%</u>
Total investments	\$ <u>3,040,229</u>	\$ <u>22,748,608</u>	<u>25,788,837</u>		<u>84.60%</u>
Total cash and investments			\$ <u>30,484,035</u>		<u>100%</u>

The commercial papers were rated by Moody's at June 30, 2014 as follows:

P1	\$ <u>1,523,972</u>
	\$ <u><u>1,523,972</u></u>

The corporate bonds and notes were rated by Moody's at June 30, 2014 as follows:

A1	\$ 2,329,597
A2	522,684
A3	234,074
Aa1	340,100
Aa2	507,040
Aa3	1,331,456
Aaa	1,897,941
Not rated	<u>3,968</u>
	\$ <u><u>7,166,860</u></u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, First 5 Alameda County's investment policy limits the average portfolio maturity to three years. The investment policy states that First 5 Alameda County shall not directly purchase securities maturing more than six years from the date of purchase, unless matched to a specific cash flow.

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. First 5 Alameda County’s investment policy limits investments to (a) U.S. Treasury obligations, (b) federal agency obligations (including notes issued by corporations under the Federal Deposit Insurance Corporation’s Temporary Liquidity Guarantee Program) and (c) securities that, at the time of purchase, are rated or collateralized as follows:

- Collateralized mortgage obligations - Planned Amortization Classes, Level 1, collateralized only by Government National Mortgage Association obligations
- Domestic corporate bonds and notes rated at least A by Standard and Poors (S&P) or A2 by Moody's
- Certificates of deposit, time deposits and banker's acceptances issued by the top 20 rated domestic banks ranked by total assets, rated at least B/C by the Thomson BankWatch, A-1 by S&P, or P-1 by Moody's
- Commercial paper rated A-1 by S&P or P-1 by Moody's
- Repurchase agreements collateralized by U. S. Treasury or government agency securities
- Local agency obligations rated A-1/P-1 short-term or Aa/AA long term

No more than 30% of the portfolio may be invested in each of the following categories of securities:

- Collateralized mortgage obligations
- Domestic corporate bonds and notes
- Negotiable certificates of deposit
- Bankers’ acceptances
- Commercial paper
- Repurchase agreements
- Reverse repurchase agreements
- State of California obligations
- Local agency obligations
- Any other obligation that does not bear the full faith and credit of the U.S. government or which is not fully collateralized or insured

No more than 70% of the total portfolio may be invested in all the foregoing instruments at any time.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. First 5 Alameda County’s investment policy limits the amount that may be invested in the securities of any one issuer to five percent of the portfolio, except for securities of the U.S. Treasury.

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

First 5 Alameda County has \$385,564 invested in the County of Alameda Treasurer's investment pool at June 30, 2014. The County's investment policy limits the investment pool's maximum average maturity to two years. Authorized investments include debts issued by the County; U.S. Treasury securities; bankers' acceptances; federal, state and local government securities; commercial paper; medium-term corporate notes; negotiable certificates of deposit; state investment pool (Local Agency Investment Fund); money market and mutual funds; mortgage-backed obligations; repurchase agreements; and reverse repurchase agreements. Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the County investment pool is presented in the notes of the County's basic financial statements.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. The Organization places its cash and investments with credit worthy and high quality financial institutions. Cash balance is insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2014, the bank balance of First 5 Alameda County's bank deposit exceeded FDIC's insurance limit by \$4,445,198.

NOTE 3: CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2014 were as follows:

	Balance at June 30 2013	Increases	Decreases	Balance at June 30, 2014
Capital assets not being depreciated:				
Land	\$ 1,096,265	\$ _____	\$ _____	\$ 1,096,265
Total capital assets not being depreciated	<u>1,096,265</u>	_____	_____	<u>1,096,265</u>
Capital assets being depreciated:				
Building	4,148,408			4,148,408
Furniture and equipment	249,694			249,694
Total capital assets being depreciated	<u>4,398,102</u>	_____	_____	<u>4,398,102</u>
Less accumulated depreciation for:				
Building	25,142	150,851		175,993
Furniture and equipment	128,786	41,829		170,615
Total accumulated depreciation	<u>153,928</u>	<u>192,680</u>	_____	<u>346,608</u>
Total capital assets being depreciated, net	<u>4,244,174</u>	<u>192,680</u>	_____	<u>4,051,494</u>
Total capital assets, net	<u>\$ 5,340,439</u>	<u>\$ 192,680</u>	<u>\$ _____</u>	<u>\$ 5,147,759</u>

Depreciation expense for the year ended June 30, 2014 was \$192,680.

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4: RETIREMENT PLAN

Plan Description

First 5 Alameda County provides retirement benefits through the Alameda County Employees' Retirement Association (ACERA). ACERA began operations on January 1, 1948, and is governed by the California Constitution, the County Employees Retirement Law of 1937 and the bylaws, procedures and policies adopted by the Board of Retirement. ACERA operates as a cost-sharing multiple-employer defined benefit plan for Alameda County and participating special districts located in the County, including First 5 Alameda County. ACERA is not under the control of the Alameda County Board of Supervisors.

ACERA provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and are subject to amendment only by an act of the State of California legislature. Alternative benefit and contribution schedules are permissible with the Board of Supervisors' approval. All risks and costs, including benefit costs, are shared by the participating entities. An actuarial valuation is performed annually for the system as a whole. ACERA's financial statements and required supplementary information are audited annually by independent auditors. The auditor's report and the December 31, 2013 financial statements may be obtained by writing to Alameda County Employees' Retirement Association, 475 14th Street, Suite 1000, Oakland, CA 94612.

Plan Membership. All full-time regular First 5 Alameda County employees are required by statute to become members of ACERA. Safety membership includes employees who are in active law enforcement, probation officers and juvenile hall counselors. General membership includes all other eligible classifications. As of June 30, 2014, 49 First 5 Alameda County employees are members of ACERA, and all members are General members.

Funding Policy

The employers and members contribute to ACERA based on rates recommended by an independent actuary and adopted by the ACERA Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of the date of entry and the actuarially calculated benefits. Member contributions are refundable upon termination from the retirement system.

Alameda County and special districts, including First 5 Alameda County, are required by statute to contribute the amounts necessary to finance the estimated benefits accruing to their employees. Employer contributions for the years ended June 30, 2014 and 2013 were \$771,662 and \$704,154, respectively; and employee contributions for the years ended June 30, 2014 and 2013 were \$302,237 and \$317,012, respectively.

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5: COMMITMENTS AND CONTINGENT LIABILITIES

First 5 Alameda County has received funds from various Federal, state and local programs. It is possible that at some future date, funding sources may be discontinued if First 5 Alameda County was found not in compliance with any applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, First 5 Alameda County does not expect such disallowed amount, if any, to materially affect the financial statements.

First 5 Alameda County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. First 5 Alameda County has purchased commercial insurance coverage for general liability, directors and officers, workers' compensation, employee liability; fidelity, and property coverage. There were no settlements or claims during the year ended June 30, 2014.

NOTE 6: PROGRAM EVALUATION COSTS

First 5 Alameda County spent \$963,393 program evaluation during year ended June 30, 2014.

NOTE 7: OTHER ASSETS

During the fiscal year 2013-14, First 5 Alameda County entered into a strategic collaboration agreement under which \$5 million was invested with the Philanthropic Ventures Foundation (PVF) in a donor advised fund and establish The First 5 Alameda County Fund. The objective of the Fund is to leverage matching donor funds for programs at First 5. At June 30, 2014, balance of the investment after administrative fees incurred during the fiscal year was \$4,979,424. PVF invests all monies held in donor advised funds in money market accounts. Any and all interest earned in conjunction with the Fund accrues to the Fund. PVF's administrative fee is .5% of donations and thereafter .5% per annum.

NOTE 8: RELATED PARTY TRANSACTIONS

The legally required composition of First 5 Alameda County includes a County Supervisor, Directors of County agencies and representatives of agencies and constituencies concerned with children. Many of the programs funded by the Commission are operated by organizations represented by Commissioners. Commissioners must abstain from voting on issues and participating in discussions directly related to their respective organizations. The following table shows those contracts awarded for the fiscal year 2013-14 to agencies represented by Commissioners:

FIRST 5 ALAMEDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

<u>Contracts</u>	<u>Contract Amount</u>
Children’s Hospital & Research Center at Oakland	\$ 180,131
4Cs of Alameda County	407,500
Asian Health Services	60,000
Alameda County Health Care Services Agency	<u>6,000</u>
	<u>\$ 653,631</u>

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

The management of First 5 Alameda County reviewed the results of operations for the period of time from its year end June 30, 2014 through September XX, 2014, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

Draft

**FIRST 5 ALAMEDA COUNTY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Prop 10 Tobacco tax	\$ 13,037,150	\$ 13,037,150	\$ 13,171,926	\$ 134,776
Sustainability fund	1,826,406	1,731,406		(1,731,406)
Interagency income	1,362,444	1,434,444	1,520,933	86,489
Grants:				
Federal	607,000	1,367,000	1,248,877	(118,123)
State	300,000	300,000	256,350	(43,650)
Private	450,000	500,000	1,008,788	508,788
Sub-total	1,357,000	2,167,000	2,514,015	347,015
Fiscal Leveraging:				
Medi-Cal Administrative Activities (MAA)	700,000	700,000	732,131	32,131
Investment income	500,000	500,000	387,816	(112,184)
Miscellaneous income	17,000	17,000	37,871	20,871
Total revenues	18,800,000	19,587,000	18,364,692	(1,222,308)
EXPENDITURES:				
Personnel:				
Salaries	4,468,794	4,468,794	4,296,942	171,852
Benefits	2,230,397	2,230,397	1,987,595	242,802
Sub-total	6,699,191	6,699,191	6,284,537	414,654
Program Contracts/Grants/MOU's:				
Contracts	8,357,981	9,305,981	7,955,808	1,350,173
Grants	2,065,000	2,065,000	1,798,655	266,345
Professional services contracts	85,250	85,250	30,782	54,468
Sub-total	10,508,231	11,456,231	9,785,245	1,670,986
Training expenses:				
Copy/printing	24,750	24,750	31,307	(6,557)
Space rental	250	250	1,250	(1,000)
Food/Hospitality	64,500	64,500	41,601	22,899
Honoraria	63,000	63,000	33,188	29,812
Postage	10,500	10,500	1,043	9,457
Professional services	187,500	187,500	119,196	68,304
Supplies	393,469	278,469	150,830	127,639
Travel	100,780	54,780	38,108	16,672
Employee cell phone	13,200	13,200	9,708	3,492
Staff development/training	114,500	114,500	27,651	86,849
Sub-total	972,449	811,449	453,882	357,567
General expenses:				
Communications	30,000	30,000	20,369	9,631
Copying/printing	30,000	30,000	12,040	17,960
Equipment purchase	3,000	3,000	14,600	(11,600)
Equipment leases/rentals/maintenance	20,000	20,000	6,362	13,638
Postage	10,000	10,000	9,652	348
Insurance	85,000	85,000	82,700	2,300
Membership	24,000	24,000	5,690	18,310
Professional services	212,000	212,000	161,191	50,809
Utilities	30,000	30,000	37,292	(7,292)
Janitorial services	30,000	30,000	33,231	(3,231)
Dues and taxes	15,000	15,000	23,176	(8,176)
Maintenance	5,000	5,000	8,727	(3,727)
Supplies	3,000	3,000	5,743	(2,743)
Other general expenses	123,129	123,129		
Sub-total	620,129	620,129	420,773	76,227
Total expenditures	18,800,000	19,587,000	16,944,437	2,642,563
Net change in fund balance	\$	\$	\$ 1,420,255	\$ 1,420,255

The accompanying notes are an integral part of these financial statements

FIRST 5 ALAMEDA COUNTY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: BUDGETARY DATA

First 5 Alameda County adopts an annual budget, which covers the Governmental Fund. All appropriations lapse at fiscal year end and then are rebudgeted for in the coming fiscal year. The budget is prepared on a cash basis of accounting.

A mid-year budget review is performed and the budget is amended by passage of a resolution. Additional appropriations not included in the amended budget resolution must be approved by First 5 Alameda County.

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SUPPLEMENTARY INFORMATION

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FIRST 5 ALAMEDA COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES BY FUND SOURCE AND FUND BALANCE OF CCFC
FUNDS FOR FIRST 5 PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2014

		<u>CARES PLUS</u>
REVENUE:		<u>CCFC Funds</u>
Retention Incentives - Child Development Corps	\$	<u>256,350</u>
Total revenues		<u>256,350</u>
EXPENDITURES - Current:		
Salaries and employee benefits		
Salaries and employee benefits		59,817
Other		<u>196,533</u>
Total expenditures		<u>256,350</u>
Excess of revenues over expenditures		
Beginning fund balance		<u> </u>
Ending fund balance	\$	<u><u> </u></u>

Draft

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
First 5 Alameda County
Alameda, California

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 major fund of the First 5 Alameda County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the First 5 Alameda County’s basic financial statements, and have issued our report thereon dated September XX, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the First 5 Alameda County’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 First 5 Alameda County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the First 5 Alameda County’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 First 5 Alameda County’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 First 5 Alameda County'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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the First 5 Alameda County'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 First 5 Alameda County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oakland, California
September XX, 2014

Draft

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
First 5 Alameda County
Alameda, California

Compliance

We have audited the First 5 Alameda County's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the First 5 Alameda County'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. An audit includes examining, on a test basis, evidence about the First 5 Alameda County'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 First 5 Alameda County's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the First 5 Alameda County'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 First 5 Alameda 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.

Oakland, California
September XX, 2014

Draft

**FIRST 5 ALAMEDA COUNTY
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2014**

There were no findings reported in the prior year.

Draft

FIRST 5 ALAMEDA COUNTY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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FIRST 5 ALAMEDA COUNTY

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners
First 5 Alameda County
Alameda, California

Report on Compliance for Each Major Federal Program

We have audited First 5 Alameda County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of First 5 Alameda County's major federal programs for the year ended June 30, 2014. First 5 Alameda County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of First 5 Alameda County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about First 5 Alameda County'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 for each major federal program. However, our audit does not provide a legal determination of First 5 Alameda County's compliance.

Opinion on Each Major Federal Program

In our opinion, First 5 Alameda County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of First 5 Alameda County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered First 5 Alameda County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of First 5 Alameda County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB circular A-133

We have audited the financial statements of First 5 Alameda County as of and for the year ended June 30, 2014, and have issued our report thereon dated September XX, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oakland, California
September XX, 2014

FIRST 5 ALAMEDA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Department of Health & Human Services:			
Pass-Through Programs From:			
Alameda County Health Care Services Agency - Medi-Cal Administrative Activities (MAA)	93.778	08-85116	<u>732,131</u>
Alameda County Behavioral Health Care Services - Early Connections	93.104	C-5084	<u>610,447</u>
Alameda County Public Health Department - Help Me Grow	93.991	C-9567	<u>291,478</u>
Alameda County Public Health Department - Project LAUNCH	93.243	C-5196	553,991
Abt Associates, Inc. - Project LAUNCH Special Study	93.243	40427-2	<u>17,275</u>
			<u>571,266</u>
Total Department of Health and Human Services			<u>2,205,322</u>
Department of Education:			
Pass-Through Program From:			
California Department of Education Race to the Top Early Learning Challenge	84.412A	15181-2566	1,049,957
California State University, East Bay Foundation Hayward Promise Neighborhood	84.215N	19404-4335	<u>130,965</u>
Total Department of Education			<u>1,180,922</u>
Total Expenditures of Federal Awards			<u>\$ 3,386,244</u>

Note 1: Basis of Presentation

The above schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of First 5 Alameda County under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of First 5 Alameda County, it is not intended to and does not present the financial position and changes in net position of First 5 Alameda County.

Note 2: Summary of Significant Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Pass-Through entity identifying numbers are presented where available.

**FIRST 5 ALAMEDA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.104	Alameda County Behavioral Health Care Services - Early Connections
93.991	Alameda County Public Health Department - Help Me Grow
93.243	Alameda County Public Health Department - Project LAUNCH
93.243	Abt Associates, Inc. – Project LAUNCH Special Study
84.215N	Hayward Promise Neighborhood

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**FIRST 5 ALAMEDA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Draft

**FIRST 5 ALAMEDA COUNTY
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2014**

No matters were reported.

Draft

ALL MEETINGS ARE SUBJECT TO CHANGE. MEMBERS OF THE PUBLIC CAN CALL 510-227-6900 TO VERIFY DATE AND TIME.

2015 MEETING CALENDAR

MONTH	EXECUTIVE COMMITTEE 12:00 PM – 1:30 PM (Unless Otherwise Noted)	COMMISSION 9:00 AM - 11:30 AM	AGENDA ITEMS
FEBRUARY	Friday, February 13 Or Friday, February 20 1115 Atlantic Ave. Alameda Conference Room E	Thursday, February 19 Or Thursday, February 26 1115 Atlantic Ave. Alameda Conference Room A	Election of Officers Mid-Year Budget Modification First 5 CA Annual Report Ethics Presentation
APRIL	Friday, April 10 1115 Atlantic Ave. Alameda Conference Room E	Thursday, April 16 1115 Atlantic Ave. Alameda Conference Room A	First reading of FY 2015-16 Budget First reading of 2015-16 Strategic Plan First reading of the Long Range Financial Plan Conflict of Interest Code Amendment
JUNE	Friday, June 12 1115 Atlantic Ave. Alameda Conference Room E	Thursday, June 18 1115 Atlantic Ave. Alameda Conference Room A	Final approval of FY 2015-16 budget FY 2015-16 budget contracts authorization Final Strategic Plan update ACERA 401(h) Personnel Policies GASB 54 Fund Balance Commitment
AUGUST	Friday, August 14 1115 Atlantic Ave. Alameda Conference Room E	Thursday, August 20 1115 Atlantic Ave. Alameda Conference Room A	
OCTOBER	Friday, October 9 1115 Atlantic Ave. Alameda Conference Room E	Thursday, October 15 1115 Atlantic Ave. Alameda Conference Room A	Investment Policy Financial Audit Report
DECEMBER	Friday, December 4 1115 Atlantic Ave. Alameda Conference Room E	Thursday, December 10 1115 Atlantic Ave. Alameda Conference Room A	F5AC Annual Report