

**FIRST 5 RIVERSIDE
RIVERSIDE COUNTY CHILDREN
& FAMILIES COMMISSION**

**A division of the Riverside County Department of Public
Social Services and a discrete component unit of the
County of Riverside
Riverside, California**

Independent Auditors' Report, Basic Financial Statements,
Required Supplementary Information, Other Supplementary Information,
and Compliance Section

For the Fiscal Year Ended June 30, 2016



Riverside County Children & Families Commission

A division of the Riverside County Department of Public Social Services

**First 5 Riverside
Riverside County Children and Families Commission**

For the Year Ended June 30, 2016

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Basic Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Commission's Proportionate Share of the Net Pension Liability (Miscellaneous Plan)	37
Schedule of Contributions	38
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	39
Note to Required Supplementary Information	40
OTHER SUPPLEMENTARY INFORMATION	
CARES Plus Balance Sheet	41
CARES Plus Schedule of Revenues, Expenditures and Changes in Fund Balance	42
Schedule of Local Match Expenditures for State Initiative Program	43
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44
Independent Auditors' Report on State Compliance	46

FINANCIAL SECTION



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 general fund of the Commission, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. 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 on pages 4-11, schedules of proportionate share of net pension liability and contributions on pages 37-38, and budgetary comparison information on pages 39-40 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 Commission's basic financial statements. The CARES Plus schedule and the Local Match Schedule (the Program Schedules), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Program Schedules are the responsibility of management and were derived from and relate 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 Program Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Riverside, California
October 17, 2016

First 5 Riverside
Riverside County Children and Families Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the Year Ended June 30, 2016

In November 1998, voters passed a statewide ballot initiative to add a surtax to tobacco products (Proposition 10). The monies collected are to be used to fund programs based on local needs that promote early childhood development for children prenatal through five years of age. The intent is for all California children to be healthy, to live in a healthy and supportive environment, and to enter school ready to learn and embrace lifelong learning.

As management of the Riverside County Children and Families Commission (First 5 Riverside) or (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

- The Commission's total assets increased from \$47,313,059 in FY 2014/2015 to \$48,346,022 in FY 2015/2016, an increase of \$1,032,963, or 2.2%.
- The Commission's total liabilities increased from \$3,802,424 in FY 2014/2015 to \$4,835,406 in FY 2015/2016, a total increase of \$1,032,980 or 27.2%.
- The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$43,733,289 (net position). \$41,526,353 represents unrestricted net position, and may be used to meet the Commission's ongoing obligations to citizens and creditors. \$2,206,936 represents the investment in capital assets.
- The Commission earned \$21,308,846 in Proposition 10 revenues compared to \$20,936,550 earned in the prior fiscal year, an increase of \$372,296 or 1.8%.
- Of the \$21,308,846 in Proposition 10 revenue, the Commission expended \$17,977,123 to various providers for services for children 0 through 5 years of age and their families in FY 2015/2016.
- The Commission had total expenses of \$21,100,789 in FY 2015/2016, which is a decrease of \$1,516,525 or -6.7% compared to of \$22,617,204 in FY 2014/2015.
- The administrative cost rate was 8.3% of operating budget as established by the administrative cost policy. Administrative expenditures represented 11.5% of total actual expenditures for the year, and evaluation expenditures represented 1.6% and direct program expenditures were 86.9%. The higher administrative percentage was due to the under-spending of grantee contracts.
- The ending net position for FY 2015/2016 was \$43,733,289, an increase of \$478,806 as compared to FY 2014/2015 ending net position of \$43,254,483.
- At the close of the current fiscal year, the Commission's general fund reported a fund balance of \$43,196,515, an increase of \$430,570 in comparison with the prior year. Approximately 95.1% of the general fund balance is nonspendable, committed and/or assigned for various programs/expenditures with 4.9% or \$2,115,881 available for spending at the Commission's discretion (unassigned fund balance); \$14,345,860 or 33.2% has been assigned for the 5-year Strategic Plan in Fiscal Years 2016/2017 through 2020/2021.
- The Commission committed \$3,000,000 to capital projects of which \$374,410 is remaining, \$11,319,120 for a Budgetary Stabilization Reserve and for an Extreme Events Reserve. The Commission has set aside \$2,115,881, of unassigned fund balance for Minimum Fund Balance Reserve, \$1,657,158 below the targeted reserve amount of \$3,773,039. The Committed Budgetary Stabilization and Extreme Events Reserves as well as the Minimum Fund Balance Reserve represents 8 months of actual prior year operating expenses as approved by the Commission.

First 5 Riverside
Riverside County Children and Families Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the Year Ended June 30, 2016

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves. The Commission's financial statements are prepared in accordance with generally accepted accounting principles (GAAP), and offer key high-level financial information about the activities during the reporting period.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Commission that are principally supported by Proposition 10 tobacco tax revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through use fees and charges (*business-type activities*). The governmental activities of the Commission include general government and state grants. There are no business-type activities of the Commission.

The government wide financial statements can be found on pages 12-13.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

First 5 Riverside
Riverside County Children and Families Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the Year Ended June 30, 2016

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Commission maintains one governmental fund, the general fund. The Commission adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-36 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information*. Required supplementary information can be found on pages 37-40 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,733,289, at the close of the most recent fiscal year.

This section provides explanations of the significant differences between the Commission's actual amounts at and for the fiscal years ended June 30, 2015 and June 30, 2016. Comparisons of the Statement of Net Position and the Statement of Activities are presented in the accompanying tables.

First 5 Riverside
Riverside County Children and Families Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the Year Ended June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Assets:				
Current and other assets	\$ 46,139,086	\$ 45,049,870	\$ 1,089,216	2.4%
Capital Assets	2,206,936	2,263,189	(56,253)	-2.5%
Total Assets	<u>\$ 48,346,022</u>	<u>\$ 47,313,059</u>	<u>\$ 1,032,963</u>	<u>2.2%</u>
Deferred Outflows of Resources				
Deferred Outflows	416,215	195,972	220,243	112.4%
Total Deferred Outflows of Resources	<u>\$ 416,215</u>	<u>\$ 195,972</u>	<u>\$ 220,243</u>	<u>112.4%</u>
Liabilities:				
Long-term liabilities	\$ 41,493	\$ 54,848	\$ (13,355)	-24.3%
Other liabilities	3,016,657	2,407,050	609,607	25.3%
Net Pension Liability	1,777,256	1,340,526	436,730	32.6%
Total Liabilities	<u>\$ 4,835,406</u>	<u>\$ 3,802,424</u>	<u>\$ 1,032,982</u>	<u>27.2%</u>
Deferred Inflows of Resources				
Deferred Inflows	193,542	452,124	(258,582)	-57.2%
Total Deferred Inflows of Resources	<u>\$ 193,542</u>	<u>\$ 452,124</u>	<u>\$ (258,582)</u>	<u>-57.2%</u>
Net position:				
Investment in capital assets	\$ 2,206,936	\$ 2,263,189	\$ (56,253)	-2.5%
Unrestricted	41,526,353	40,991,294	535,059	1.3%
Total net position	<u>\$ 43,733,289</u>	<u>\$ 43,254,483</u>	<u>\$ 478,806</u>	<u>1.1%</u>

The Commission has unrestricted net position of \$41,526,353 and is for meeting ongoing obligations.

At the end of the current fiscal year, the Commission is able to report a positive net position balance. The same situation held true for the prior fiscal year.

The Commission's overall net position increased by \$478,806 from the prior fiscal year. The reason for this overall increase is discussed in the following sections:

Governmental Activities

During the current fiscal year, net position for governmental activities increased by \$478,806 from the prior fiscal year for an ending balance of \$43,733,289. The reason for the increase was mainly due to additional Proposition 10 tax revenues and interest.

Net pension liability increased by \$436,730 of 32.6% due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This accounting pronouncement also required the recognition of deferred outflows and deferred inflows of resources.

First 5 Riverside
Riverside County Children and Families Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the Year Ended June 30, 2016

	<u>FY 2015/2016</u>	<u>FY 2014/2015</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Revenues:				
Prop. 10 allocation	\$21,115,362	\$20,596,735	\$ 518,627	2.5%
Foundation and state matching grants	193,484	339,815	(146,331)	-43.1%
Total program revenue	<u>\$21,308,846</u>	<u>\$20,936,550</u>	<u>\$ 372,296</u>	<u>1.8%</u>
Other revenue	2,957	19,738	(16,781)	-85.0%
General revenue - investment income	267,792	308,302	(40,510)	-13.1%
Total revenue	<u>\$21,579,595</u>	<u>\$21,264,590</u>	<u>\$ 315,005</u>	<u>1.5%</u>
Expenses:				
Salaries and benefits	\$ 2,281,401	\$ 1,941,777	\$ 339,624	17.5%
Professional and Specialized Services	17,977,123	19,796,526	(1,819,403)	-9.2%
Operating expenses	754,921	841,686	(86,765)	-10.3%
Depreciation, net of adjustments	87,344	37,215	50,129	134.7%
Total expenses	<u>\$21,100,789</u>	<u>\$22,617,204</u>	<u>\$ (1,516,415)</u>	<u>-6.7%</u>
Change in Net Position	<u>\$ 478,806</u>	<u>\$ (1,352,614)</u>	<u>\$ 1,831,420</u>	<u>135.4%</u>
Net Position Beginning of Year, as restated	<u>43,254,483</u>	<u>44,607,097</u>	<u>(1,352,614)</u>	<u>-3.0%</u>
Net Position End of Year	<u>\$43,733,289</u>	<u>\$43,254,483</u>	<u>\$ 478,806</u>	<u>1.1%</u>

Total revenues increased by \$372,296 or 1.8% due to an increase in tobacco tax revenues of 2.5% and a decrease in interest income for the fair value of cash on hand.

Total expenses decreased by \$1,516,415 as compared to the prior fiscal year. Salaries and Benefits increased \$339,624 or 17.5% due to hiring of new employees. Professional and Specialized Services decreased by \$1,819,403 or 9.2%, due to decrease in operational contracts related to Oral Health. Operating expenses decreased by \$86,765 or 10.3% due to reduction of lease expense.

Financial Analysis of Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus on the Commission's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party or the Commission itself.

First 5 Riverside
Riverside County Children and Families Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the Year Ended June 30, 2016

As of June 30, 2016, the Commission's general fund reported fund balance of \$43,196,515, an increase of \$430,570 in comparison with the prior year. Approximately 4.9% of this amount or \$2,115,881 constitutes *unassigned fund balance*, which is available for spending at the Commission's discretion. The remainder of the fund balance is 1) nonspendable (\$5,318), 2) committed for specific purposes (\$26,729,456), and 3) assigned for intent for specific purposes (\$14,345,860).

	June 30, 2016	June 30, 2015	Dollar Increase/ (Decrease)	Percent Increase/ (Decrease)
Nonspendable	\$ 5,318	\$ 15,114	\$ (9,796)	-64.8%
Committed	26,729,456	22,986,624	3,742,832	16.3%
Assigned	14,345,860	15,987,747	(1,641,887)	-10.3%
Unassigned	2,115,881	3,776,460	(1,660,579)	-44.0%
Total Fund Balance - General Fund	\$ 43,196,515	\$ 42,765,945	\$ 430,570	1.0%

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,115,881 while total fund balance increased to \$43,196,515. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 10% of total general fund expenditures while total fund balance for the general fund represents approximately 204% of that same amount.

The fund balance of the Commission's general fund increased by \$430,570 during the current fiscal year. As discussed earlier in connection with governmental activities, the increased was partly due to the increase in Proposition 10 revenue and the decrease in expenses for the grantee contracts.

General Fund Budgetary Highlights

Original budget compared to final budget

The Commission had no mid-year amendment this fiscal year.

Final budget to actual results

The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Over/(Under) Estimate	Percent change
Prop 10 revenue	\$ 20,387,200	\$ 21,308,846	\$ 921,646	4.3%
Investment earnings	181,097	267,792	86,695	32.4%
Misc. Revenue	-	2,957	2,957	100.0%
Total Revenue	\$ 20,568,297	\$ 21,579,595	\$ 1,011,298	4.7%

The increase in the above revenue sources were caused by higher tobacco tax revenue collected statewide. The net investment earnings are made up of positive interest earnings earned throughout the fiscal year and a positive fair value adjustment recorded at June 30, 2016.

**First 5 Riverside
Riverside County Children and Families Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the Year Ended June 30, 2016**

The most significant differences between estimated expenditures and actual expenditures were as follows:

<u>Expenditures</u>	<u>Estimated expenditures</u>	<u>Actual expenditures</u>	<u>Over/(Under) Estimate</u>	<u>Percent change</u>
Salaries and Benefits	\$ 2,508,753	\$ 2,385,890	\$ 122,863	5.1%
Professional and Specialized Services	25,274,512	17,977,123	7,297,389	40.6%
Services and Supplies	724,111	754,921	(30,810)	-4.1%
Capital outlay	420,000	31,091	388,909	1250.9%
Total Expenditures	<u>\$ 28,927,376</u>	<u>\$ 21,149,025</u>	<u>\$ 7,778,351</u>	<u>36.8%</u>

A review of actual expenditures compared to the appropriations in the final budget yields a decrease in program expenditures due to grantee contracts decrease in expenses for quality physical setting for early education agencies, decreases in the access and quality contracts for decreases in quality ratings.

Long-term Liabilities

During the fiscal year, the Commission's long-term liabilities consist of compensated absences which decreased by \$62,394 due to a decrease in benefits earned by employee separation and termination. Long-term liabilities also consisted of the net pension liability in the amount of \$1,777,256. Refer to Note 6 in Notes to Financial Statements for more information on compensated absences and Note 11 for Retirement Plan.

Capital Assets

In May 2014, the Commission purchased land and a building in the amount of \$1,483,588, and relocation to the new building was completed in March 2015. Improvements are currently being made to the new building.

Economic Factors and Next Year's Budgets

- Although the Proposition 10 tax revenues increased in the current year, the State Commission projects them to decrease and as a result, a potential reduction in the share allocated to Riverside County.
- The local economy continues to create new needs in our community thus Riverside County Children and Families Commission continues to utilize unassigned fund balances to meet the needs of the community.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Tammi Graham, Executive Director; Riverside Children and Families Commission (First 5 Riverside), 585 Technology Court, Riverside, California 92507.

BASIC FINANCIAL STATEMENTS



First 5 Riverside
Riverside County Children and Families Commission
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Cash and Investments in County Treasury	\$ 42,092,884
Interest Receivable	53,552
Due from Other Governments	3,987,332
Prepaid Expense	2,574
Inventory	2,744
Capital Assets Not Being Depreciated:	
Land	373,380
Capital Assets, Net of Accumulated Depreciation	1,833,556
Total Assets	48,346,022
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	416,215
 LIABILITIES	
Accounts Payable	2,789,576
Accrued Wages and Benefits	152,995
Compensated Absences:	
Payable Within One Year	74,086
Payable After One Year	41,493
Net Pension Liability	1,777,256
Total Liabilities	4,835,406
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	193,542
 NET POSITION	
Investment in Capital Assets	2,206,936
Unrestricted	41,526,353
Total Net Position	\$ 43,733,289

See accompanying Notes to Basic Financial Statements.

**First 5 Riverside
Riverside County Children and Families Commission
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities:			
Child Development	\$ 21,100,789	\$ 21,308,846	\$ 208,057
	General Revenues:		
	Investment Income		267,792
	Miscellaneous		2,957
	Total General Revenues		270,749
	Change in Net Position		478,806
	Total Net Position - Beginning		43,254,483
	Total Net Position - Ending		\$ 43,733,289

See accompanying Notes to Basic Financial Statements.

**First 5 Riverside
Riverside County Children and Families Commission
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund
ASSETS	
Cash and Investments in County Treasury	\$ 42,092,884
Interest Receivable	53,552
Due from Other Governments	3,987,332
Prepays	2,574
Inventory	2,744
Total Assets	\$ 46,139,086
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 2,789,576
Accrued Wages and Benefits	152,995
Total Liabilities	2,942,571
Fund balance:	
Nonspendable	5,318
Committed	26,729,456
Assigned	14,345,860
Unassigned	2,115,881
Total Fund Balance	43,196,515
Total Liabilities and Fund Balance	\$ 46,139,086

See accompanying Notes to Basic Financial Statements.

First 5 Riverside
Riverside County Children and Families Commission
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance of Governmental Funds	\$	43,196,515
Capital assets used for governmental activities in the amount of \$2,371,061 net of \$164,125 in accumulated depreciation, are not financial resources and therefore, are not reported in the funds		2,206,936
Certain amounts related to pensions are not reported in the fund financial statements:		
Net pension liability		(1,777,256)
Deferred outflows of resources		416,215
Deferred inflows of resources		(193,542)
Compensated absences liability is not reported in the fund financial statements		<u>(115,579)</u>
Net Position of Governmental Activities	\$	<u><u>43,733,289</u></u>

See accompanying Notes to Basic Financial Statements.

First 5 Riverside
Riverside County Children and Families Commission
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>General Fund</u>
REVENUES	
Prop 10 Tobacco Tax	\$ 21,115,362
Prop 10 CARES Plus	193,484
Miscellaneous	2,957
Investment Income	209,333
Net Increase in the Fair Value of Investments	58,459
Total Revenues	<u>21,579,595</u>
EXPENDITURES	
Current:	
Salaries and Benefits	2,385,890
Professional and Specialized Services	17,977,123
Services and Supplies	754,921
Capital Outlay	31,091
Total Expenditures	<u>21,149,025</u>
Net Change in Fund Balance	430,570
Fund Balance, Beginning of Year	<u>42,765,945</u>
Fund Balance, End of Year	<u>\$ 43,196,515</u>

See accompanying Notes to Basic Financial Statements.

First 5 Riverside
Riverside County Children and Families Commission
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For Fiscal Year Ended June 30, 2016

Amounts reported for Governmental Activities in the Statement of
 Activities are different because:

Net Change in Fund Balance - Total Governmental Funds	\$	430,570
<p>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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
		(56,253)
<p>Governmental funds report retirement/pension contributions as expenditures in governmental funds. Such amounts are reported as deferred outflows of resources on the full accrual basis.</p>		
		252,313
<p>Pension expense is reported on the Statement of Activities.</p>		
		(210,218)
<p>Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.</p>		
		62,394
Change in Net Position of Governmental Activities	\$	478,806

See accompanying Notes to Basic Financial Statements.

NOTES TO FINANCIAL STATEMENTS



First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Summary of Significant Accounting Policies	19 – 24
2	Cash and Investments	24 – 26
3	Due From Other Governments	26
4	Capital Assets	26
5	Grantee Payables	27
6	Compensated Absences	27
7	Net Position and Fund Balance	27 – 29
8	Special Funding	30
9	Related Party Transactions	30
10	Program Evaluation	30
11	Retirement Plan	31 – 35
12	Other Post Employment Benefits (OPEB)	35
13	Risk Management	36
14	Contingencies	36

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Riverside County Board of Supervisors established First 5 Riverside, also known as Riverside County Children and Families Commission (“the Commission”) in 1999 under the provisions of the California Children and Families Act of 1998 (Act). The Commission provides support for all children, prenatal through five years, and their families to improve early childhood development. The Commission is funded through cigarette tax revenue generated as a result of the California voter approval of the Proposition 10 Act (“Prop 10”) in November 1998. A governing board of nine members, which are appointed by the County Board of Supervisors, administers the Commission. The composition of the Commission is consistent with the requirements set forth in the Proposition 10 legislation and the local Riverside County Ordinance No. 784.

The Commission is a component unit of the County of Riverside, California. The Commission implements comprehensive and integrated systems for children to thrive in supportive, nurturing and loving environments; enter school healthy and ready to learn and become productive and well-adjusted as members of society. The Commission developed a strategic plan to guide activities and funding for the period of July 2012 through June 2016. The Commission’s primary goals are: 1) to foster a healthy community and provide access to affordable, comprehensive and preventive mental and physical health services 2) to expand the availability of quality, accessible and affordable Child Care services and 3) to educate Riverside County residents about the lifelong implication of optimal development through age 5.

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

B) Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the activities of the reporting entity. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the *Statement of Net Position and the Statement of Activities* on pages 12 and 13 are reported 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. Contributions to local grantee organizations are recognized as expense when criteria for grant payments are met by the grantee organization. The *Statement of Net Position* presents the Commission's overall financial position. The *Statement of Activities* reports the change in net position in a net program cost format to demonstrate the degree to which the expenses of the Commission are offset by its program revenues. The Commission's principal activity is child development.

Governmental fund financial statements, presented after the government-wide 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal period. Revenues from reimbursement type programs are considered available when they are collected within one year of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures generally are recognized in the accounting period in which the liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Commission.

D) Accounting and Reporting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

E) Cash and Investments

As of July 1, 2015, the Commission retrospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining fair value measurements for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F) Capital Assets

Capital assets are recorded at historical cost. The capitalization threshold for equipment is \$5,000; buildings, land and land improvements is \$1. Betterments result in a more productive, efficient or long-lived assets. Significant betterments are considered capital assets when they result in an improvement of \$2,500 or more. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide statements. The estimated useful lives are as follows: Buildings 25-60 years, Improvements 10-20 years, Equipment 3-20 years. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the changes in financial position.

G) Use of Estimates

The preparation of 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 reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H) Restricted Resources

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

I) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Riverside Employees Pension Plans (CEPP) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J) Effect of New Government Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. The Commission implemented this statement effective July 1, 2015.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) Effect of New Government Accounting Standards Board (GASB) Pronouncements - Continued

Effective This Fiscal Year - Continued

GASB Statement No. 73 – In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The Commission has determined that the requirements of this statement effective in the current year did not have a material impact on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement is effective for periods beginning after June 15, 2015. The Commission implemented this statement effective July 1, 2015. This statement did not have a material impact on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measurement of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015. The Commission has determined that this statement did not have a material impact on the financial statements.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J) Effect of New Government Accounting Standards Board (GASB) Pronouncements - Continued

Effective in Future Fiscal Years

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for periods beginning after June 15, 2016. The Commission has not determined the effect on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. The Commission has not determined the effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Commission has not determined the effect on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015. The Commission has not determined the effect on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016. The Commission has not determined the effect of the statement.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) Effect of New Government Accounting Standards Board (GASB) Pronouncements - Continued

Effective in Future Fiscal Years – Continued

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016. The Commission has not determined the effect of the statement.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016. The Commission has not determined the effect of the statement.

2) CASH AND INVESTMENTS

Cash and Investments are classified in the accompanying financial statements as follows:

Cash and Investments in County Treasury	<u>\$ 42,092,884</u>
Total Cash and Investments	<u><u>\$ 42,092,884</u></u>

Investments Authorized by the California Government Code

The Commission is authorized under the California Government Code to make direct investments and has adopted the Riverside County Statement of Investment Policy and any amendments, therein. The Commission maintains policies for exposure to interest rate risk, credit risk, and concentration of credit risk, as stated in the policy. The following are investments authorized under the Riverside County Statement of investment Policy, which is more limited than those authorized under the California Government Code:

**First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016**

2) CASH AND INVESTMENTS – Continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>
Municipal Bonds (Muni)	3 years	15%
U.S. Treasury	5 years	100%
Local Agency Obligations (LAO)	3 years	2.5%
Federal Agencies	5 years	100%
Commercial Paper	270 days	40%
Certificate & Time Deposits (NCD & TCD)	1 years	25% Combined
Repurchase Agreements (REPO)	45 days	40% max / 25% in term repo over 7 days
Reverse Repurchase Agreements	60 days	10%
Medium Term Notes (MTNO)	3 years	20%
CalTRUST Short Term Fund	Daily Liquidity	1%
Money Market Mutual Funds (MMF)	Daily Liquidity	20%
Local Agency Investment Funds (LAIF)	Daily Liquidity	Max \$50 million
Cash/Deposit Account	NA	NA

Investment in Riverside County Treasurer’s Pooled Investment Fund

The Commission maintains all of its funds with the Riverside County Treasurer. For information regarding interest rate risk, credit risk, concentration of credit risk, and custodial credit risk of the Riverside County Treasurer’s Pool refer to the County of Riverside Comprehensive Annual Financial Report.

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

The Commission is an involuntary participant in the pool regulated by the California Government Code, under the oversight of the Treasurer of the County of Riverside and Treasury Oversight Committee. The fair value of the Commission’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission’s pro-rata share of the fair value provided by the County of Riverside for the entire pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the pool, which are recorded on an amortized cost basis. The weighted average maturity of the pool was 1.15 years at June 30. The County pool investment fund is rated AAA-bf by Moody’s and AAA/V1 by Fitch.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

2) CASH AND INVESTMENTS – Continued

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the Commission held no individual investments. All funds are invested in the Riverside County Investment Pool.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the Commission’s investment in the Riverside County Investment Pool at June 30, 2016 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

3) DUE FROM OTHER GOVERNMENTS

Due from other governments represents amounts due to the Commission from the California Children and Families Commission (“State Commission”) for Prop 10 related revenues. The amounts due at June 30, 2016, were as follows:

Prop 10 Revenue For:		
May-16	\$	1,724,942
Jun-16		2,062,488
CARES Plus		189,854
SMIF (interest)		10,048
Total Due from Other Governments	<u>\$</u>	<u>3,987,332</u>

4) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, is shown below:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated:				
Land	\$ 373,380	\$ -	\$ -	\$ 373,380
Total non-depreciable assets	373,380	-	-	373,380
Capital assets depreciated:				
Building and improvements	1,897,938	-	-	1,897,938
Machinery and equipment	88,557	11,186	-	99,743
Total depreciable assets	1,986,495	11,186	-	1,997,681
Less - accumulated depreciation for				
Building and improvements	(59,469)	(53,826)	-	(113,295)
Machinery and equipment	(37,217)	(13,613)	-	(50,830)
Total accumulated depreciation	(96,686)	(67,439)	-	(164,125)
Total capital assets depreciated, net	1,889,809	(56,253)	-	1,833,556
Total capital assets, net	\$ 2,263,189	\$ (56,253)	\$ -	\$ 2,206,936

Depreciation expense for the year ended June 30, 2016 totaled \$67,439.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

5) GRANTEE PAYABLES

The Commission’s primary expenditures consist of funding to various governmental and non-profit agencies that provide services directly to children ages 0 through 5 and their families. The grantees are required to file quarterly cost reports detailing how much of the funding was used. At year-end a payable generally exists depending on the actual level of expenditures by the grantee. If the funds paid exceed the actual expenditures a receivable is recorded, and if the funds paid fall short of the actual expenditures a payable is recorded, up to the amount of funding allocated. At June 30, 2016, \$2,653,111 was owed to grantees, included in accounts payable.

6) COMPENSATED ABSENCES

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2016, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was \$115,579.

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and the Public Employee’s Retirement System, unused accumulated sick leave for most employees with at least five (5) but less than 15 years of service shall be credited at the rate of 50% of current salary value thereof provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. Unused accumulated sick leave for employees with more than fifteen or more years of service shall be credited at the rate of the current salary value provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in one year
Compensated Absences	\$ 177,973	\$ 102,048	\$ (164,442)	\$ 115,579	\$ 74,086

7) NET POSITION AND FUND BALANCE

Net Position

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred outflows (inflows) of resources, and may be classified into three components:

- *Investment in Capital Assets* - This balance reflects the net position of the Commission that are invested in capital assets. This amount is generally not accessible for other purposes. At June 30, 2016, \$2,206,936 was reported in this category.
- *Restricted Net Position* - This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. At June 30, 2016, no amounts are reported under this category.
- *Unrestricted Net Position* - This balance represents the net position that is available for general use.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

7) NET POSITION AND FUND BALANCE - Continued

Fund Balance

The following classifications describe the relative strength of the constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance

Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance

Amounts with self-imposed limitations and require both the approval of the highest level of decision making authority (Commissioners) and the same formal action to remove or modify limitations. The formal action required by the Commissioners for funds to be committed is action by the way of a formal Action Item allocating funding for a specific purpose, program or initiative.

- Program commitments
The Commission's fund balance commitments include contracted programs. These commitments have been set by formal Action Item and are for specific programs stated in the Commission's five-year plan.

Assigned Fund Balance

Amounts that are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. The Commission is the only authority allowed to assign amounts to be used for specific purposes.

Unassigned Fund Balances

These are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources as they are needed. For unrestricted resources, decreases in fund balance first reduce committed fund balance, in the event that committed fund balance becomes zero, then assigned and unassigned fund balances are used in that order.

**First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016**

7) NET POSITION AND FUND BALANCE - Continued

The details of the fund balances as of June 30, 2016, are presented below:

	General Fund
Fund Balance:	
Nonspendable:	
Prepaid items	\$ 2,574
Inventory	2,744
Total Nonspendable	5,318
Committed to:	
Early Childhood Education	815,507
ECE Grants - Other	699,723
Health Service Grants	573,167
Hemet USD	1,461,959
Family Service Association (FSA)	83,922
Department of Public Health	126,302
Mead Valley	491,070
UCR Medical School	3,255,327
Improve and Maximize Programs so All Children Thrive (IMPACT)	6,493,949
Jump-Start to Quality Packages	1,035,000
Budgetary Stabilization Reserve	5,659,560
Extreme Events Reserve	5,659,560
Capital Acquisition Reserve	374,410
Total Committed	26,729,456
Assigned:	
5-Year Strategic Plan	14,345,860
Unassigned:	
Unassigned Fund Balance	2,115,881
Total Fund Balance	\$ 43,196,515

Stabilization Arrangements

In June 2012, the Commission approved Action Item #12-18. Under the formal action, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The Policy states that, at fiscal year-end, an amount approximately equal to 8 months of prior actual expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty (revenue decline greater than 10%). At June 30, 2016, \$11,319,120 was committed for the budgetary stabilization and extreme conditions reserves. If the use of resources may result in the committed fund balance amount dropping below the established threshold, such amounts are required to be reinstated by the end of the subsequent fiscal year.

Minimum Fund Balance Policy

In June 2012, the Commission approved Action Item #12-18 which created a minimum fund balance policy. The minimum fund balance policy represents two months of prior year actual annual operating expenditures. As of June 30, 2016, the Commission had \$2,115,881 of the targeted reserve amount \$3,773,039 in unassigned fund balance, pursuant to the policy.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

8) SPECIAL FUNDING

The Riverside CARES Plus program supports and promotes the retention and improvement in the quality of center and family home child-care providers for children 0 through 5 years of age. The Commission received special funding from the State Commission in the amount \$193,484 for the fiscal year ending June 30, 2016. The CARES Plus Phase II funds have a three-to-one Commission match to each dollar of First 5 funding.

9) RELATED PARTY TRANSACTIONS

The required composition of the Board of Commissioners is consistent with the Children and Families Act of 1998 and Riverside County Ordinance 784. Some of the programs funded by First 5 Riverside are operated by organizations associated with the Commissioners. Commissioners must abstain from discussion and voting on issues directly related to their respective organizations.

The following is a summary of expenditures for the year ended June 30, 2016 for each related party:

Organization	Expenditure Amount
Department of Public Health Riverside County	\$ 1,762,323
Department of Public Social Services	350,452
Total	\$ 2,112,775

The expenditure amounts are included in Professional and Specialized Services.

10) PROGRAM EVALUATION

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

For the year ended June 30, 2016, the Commission expended \$339,799 for program evaluation of which \$96,987 was for maintenance of the evaluation outcomes software.

**First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016**

11) RETIREMENT PLAN

A. General Information about the Pension Plan

Plan Descriptions – The County contracts with CalPERS to provide retirement benefits to its employees. CalPERS is a common investment and administrative agent for participating public entities with the State of California. All qualified permanent and probationary employees are eligible to participate in the County’s Miscellaneous (all other) Employee Pension Plans, an agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information may be obtained from: California Public Employee’s Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, California 94229-2701 or can be found on the CalPERS website at:

<http://www.calpers.ca.gov>

The employees of the Commission are employees of the County. The Commission reimburses the County for all pension plan costs and participates in the County’s agent employer plan. For financial reporting purposes, the Commission reports a proportionate share of the County’s collective net pension liability, pension expense, and deferred outflows and inflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost-sharing participant. For additional details of the County’s pension plan, refer to the County of Riverside Comprehensive Annual Financial Report.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	Tier III
Hire Date	Prior to 8/23/2012	8/23/2012 through 12/31/2012	On or after January 1, 2013
Formula	3% at 60	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Final Compensation	12 months	36 months	36 months
PEPRA Compensation Limit	N/A	N/A	\$ 117,020
Benefit payments	monthly for life	monthly for life	monthly for life
Earliest Retirement age	50	50	52
Required employee contribution rates	8.0%	7.0%	6.5%
Required employer contribution rates	15.4%	15.4%	15.4%

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

11) RETIREMENT PLAN – Continued

A. General Information about the Pension Plan – Continued

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

Active plan members in CalPERS are required to contribute up to 8% (Miscellaneous employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statute. The Commission's contributions to the County plan were \$252,313 for the year ended June 30, 2016.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Commission reported a net pension liability for its proportionate shares of the County's miscellaneous plan net pension liability of \$1,777,256.

The Commission's net pension liability was measured as the proportionate share of the County's net pension liability based on its actual 2016 contributions in relation to all County contributions to the Plan. The net pension liability of the Plan was measured as of June 30, 2015 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Commission's proportionate share of the County's miscellaneous pension plan's net pension liability as of June 30, 2014 and 2015 was 0.141167% and 0.157307%, respectively.

For the year ended June 30, 2016, the Commission recognized pension expense is \$210,218. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 19,169	\$ -
Changes in assumptions	-	133,006
Net differences between projected and actual earnings on plan investments	-	60,537
Changes in proportion and difference between Commission's contributions and proportionate share of contributions	144,733	-
Contributions subsequent to the measurement date	252,313	-
Total	\$ 416,214	\$ 193,542

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

11) RETIREMENT PLAN – Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

The amount of \$252,313 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2017	\$ (5,772)
2018	(5,772)
2019	(2,963)
2020	(15,134)
	\$ (29,641)

Actuarial Assumptions – The Commission’s proportion of the County’s total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions.

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% - 14.20% ⁽¹⁾
Investment Rate of Return	7.65% ⁽²⁾
Retirement Age and Mortality	Derived using CalPERS Membership Data for all Funds

(1) Depending on age, service and type of employment

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website at:

<http://www.calpers.ca.gov>

**First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016**

11) RETIREMENT PLAN – Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the County’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.65% rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Change of Assumptions – The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

11) RETIREMENT PLAN – Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Commission, calculated using the discount rate for the Plan, as well as what the Commission’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Commission's Net Pension Liability	\$ 3,121,095	\$ 1,777,256	\$ 674,870

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report and the County Comprehensive Annual Financial Report (CAFR). The County’s financial statements may be found on the Auditor-Controller’s Website:

<http://www.auditorcontroller.org/>

12) OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Commission’s employees are employees of the County and participate in the County’s other post employment plan. The County’s financial statements include the required information and disclosures relating to the other post-employment benefits. The County requires annual contributions from the Commission. Contributions for the current year and two preceding years are as follows:

Fiscal Year Ending	Annual Contributions Required (ARC)	Percentage of ARC Contributed
6/30/2016	\$ 1,294	100%
6/30/2015	2,111	100%
6/30/2014	2,851	100%

First 5 Riverside
Riverside County Children and Families Commission
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

13) RISK MANAGEMENT

The Commission is part of the County of Riverside's insurance programs including coverage for general liability and auto liability. The County's insurance program for general and auto liability is a combination of self-insurance and excess insurance providing limits of liability of \$25,000,000 per occurrence.

The employees at the Commission are considered to be employees of the County of Riverside and are covered by the County's workers' compensation program. The County's workers' compensation program is a combination of self- insurance and excess insurance providing statutory limits of coverage as required by the State of California.

For the past three years, settlements or judgment amounts have not exceeded insurance provided for Commission.

14) CONTINGENCIES

The Commission participates in state programs, the principal of which are subject to program compliance. The amount of expenditures which may be disallowed, if any, by the granting agency (First 5 California) are anticipated to be immaterial.

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on financial position or changes in financial position of the Commission.

REQUIRED SUPPLEMENTARY INFORMATION



**First 5 Riverside
Riverside County Children and Families Commission
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
(MISCELLANEOUS PLAN)
LAST TEN YEARS***

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.157307%	0.141167%
Proportionate share of the net pension liability	\$1,777,256	\$1,340,526
Covered - employee payroll	\$1,389,659	\$1,341,771
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	127.89%	99.91%
Plan fiduciary net position as a percentage of the total pension liability	80.89%	83.16%

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown from the information available.

**First 5 Riverside
Riverside County Children and Families Commission
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS*
Year Ended June 30, 2016**

	2016	2015
Required Commission contributions	\$ 252,313	\$ 195,972
Contributions in relation to the actuarially determined contribution	252,313	195,972
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 1,615,581	 \$ 1,389,659
 Contributions as a percentage of covered-employee payroll	 15.62%	 14.10%

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown from the information available.

First 5 Riverside
Riverside County Children and Families Commission
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Prop 10 Tobacco Tax	\$ 20,087,200	\$ 20,087,200	\$ 21,115,362	\$ 1,028,162
Prop 10 CARES Plus	300,000	300,000	193,484	(106,516)
Miscellaneous	-	-	2,957	2,957
Investment Income	181,097	181,097	267,792	86,695
Total Revenues	<u>20,568,297</u>	<u>20,568,297</u>	<u>21,579,595</u>	<u>1,011,298</u>
EXPENDITURES				
Current:				
Salaries and Benefits	2,508,753	2,508,753	2,385,890	122,863
Professional and Specialized Services	25,274,512	25,274,512	17,977,123	7,297,389
Services and Supplies	724,711	724,711	754,921	(30,210)
Capital outlay	420,000	420,000	31,091	388,909
Total Expenditures	<u>28,927,976</u>	<u>28,927,976</u>	<u>21,149,025</u>	<u>7,778,951</u>
Net Changes in Fund Balance	<u>\$ (8,359,679)</u>	<u>\$ (8,359,679)</u>	430,570	<u>\$ 8,790,249</u>
Fund Balance, Beginning of Year			<u>42,765,945</u>	
Fund Balance, Ending			<u>\$ 43,196,515</u>	

See accompanying Note to Required Supplementary Information.

First 5 Riverside
Riverside County Children and Families Commission
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2016

Budget and Budgetary Process

The annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the general fund. The appropriated budget is prepared utilizing fund and department categories. Transfers of appropriations between categories must be approved by the Commission. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level. Encumbrance accounting is employed in the general fund.

The Commission adopts an annual budget, which can be amended by the Commission throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures.

The original budget was approved by the Commission on June 20, 2015 for the fiscal year 2015/2016.

OTHER SUPPLEMENTARY INFORMATION



**First 5 Riverside
Riverside County Children and Families Commission
CARES Plus
BALANCE SHEET
June 30, 2016**

ASSETS

Due from Other Governments	\$ 189,854
Total Assets	\$ 189,854

LIABILITIES AND FUND BALANCE

Accounts Payable	118,889
Salaries Payable	202
Due to Other Funds	375,467
Total Liabilities	494,558
Fund Balance (Deficit)	
Unassigned	(304,704)
Total Liabilities and Fund Balance	\$ 189,854

First 5 Riverside
Riverside County Children and Families Commission
CARES Plus
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2016

REVENUES	
Prop 10 CARES Plus	<u>\$ 193,484</u>
EXPENDITURES	
Current:	
Salaries and Benefits	13,099
Professional and Specialized Services	<u>230,355</u>
Total Expenditures	<u>243,454</u>
Net Changes in Fund Balance	(49,970)
Fund Balance (Deficit), Beginning	<u>(254,734)</u>
Fund Balance (Deficit), Ending	<u><u>\$ (304,704)</u></u>

**First 5 Riverside
Riverside County Children and Families Commission**

**SCHEDULE OF LOCAL MATCH EXPENDITURES FOR STATE INITIATIVE PROGRAMS
Year Ended June 30, 2016**

<u>State Initiative Program</u>	<u>Source</u>	<u>Expenditures</u>
Cares Plus	F5CA Program Funds	\$ 230,355
	County, Local Funds	691,065

COMPLIANCE SECTION



Compliance and Other Matters

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

Purpose of this Report

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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Riverside, California

October 17, 2016



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners
 First 5 Riverside Children and Families Commission
 Riverside, California

Compliance

We have audited the First 5 Riverside County Children and Families Commission's (the Commission), a component unit of the County of Riverside, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2016.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2016.

Purpose of Report

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



Riverside, California
October 17, 2016