

**Agenda Item 3**
October 7, 2015

DATE: September 25, 2015

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director 

SUBJECT: Public Hearing: FY 2014/15 Annual Report and Financial Audit and Amendments to FY 2015/16 Operating Budget

ACTION: Adopt resolution approving the Fiscal Year 2014/15 Annual Report and Comprehensive Annual Financial Report

SUMMARY:

The California Children and Families Act of 1998 (Health and Safety Code Sections 130140 & 130150) requires that each county commission complete an annual audit and program report of the preceding fiscal year, conduct a public hearing on the audit and program reports, and submit both to the First 5 California Commission on or before November 1 of each year. The audit report must be filed with the State Controller's Office.

The annual financial audit and the draft program reports have been completed and are submitted to the Commission for public hearing. This report includes recommended amendments to FY 2015/16 Approved Operating Budget based on the year-end financial results. This report also provides the required components to conduct the public hearing related to: the annual program report, including supplemental report; required certifications; and the Comprehensive Annual Financial Report (CAFR).

The report of the annual financial audit conducted by the Commission's auditor, Vavrinek, Trine, Day & Co., LLP (Vavrinek), will be submitted electronically to all Commissioners in advance of the Commission meeting. Due to issues arising related to implementation of the new GASB reporting requirements, the audit was not completed in time for the agenda distribution. Interpretation of the new GASB reporting requirements related to pension reporting have created significant challenges as auditors are working to interpret the new classification of certain pension related expenses. Roger Alfaro from Vavrinek will be available at the October meeting to discuss the implications of the new requirements and the research his firm has done to validate the accuracy of the Commission's financial statements.

DISCUSSION:**Annual Program Report**

State law requires that each county commission prepare an annual program report to address: (1) how funds were spent; (2) the progress toward and achievement of program goals and objectives; and (3) the measurement of outcomes. This report is developed consistent with the First 5 California Guidelines and submitted to First 5 California for incorporation into a consolidated

statewide annual report to the Governor and the Legislature. The full draft report is on file with the Clerk of the Commission. Attachment 1 includes an executive summary of the report and presents detailed Commission-wide program and child demographic data.

This past year, the Commission revised the Annual Program Report to improve its functionality for program and evaluation staff. Revisions to the Annual Report included:

- Providing trends on relevant countywide demographics such as births, poverty rates, child maltreatment and third grade English and Mathematics Scores
- Providing a more comprehensive picture of the Commission's investments overall and by funding category
- Standardizing information related to each of the Commission-funded initiatives, allowing them to serve as stand-alone reports, if desired. Each of the funding initiative sections were modified to include the following components:
 - Background
 - Commission-funded services in Orange County
 - Commission investments
 - Outcomes
 - Services Provided
 - Program Highlights and Outcomes
 - Challenges
 - Policy Implication (where applicable)

Highlights from the Orange County *FY 2014/15 Annual Program Report* include:

- 137,228 children ages 0-5 received Commission-funded services
- 116,269 family members of children ages 0-5 received Commission-funded services
- 1,820,320 services were provided to children
- 765,211 services were provided to family members

There was a 19.9% decrease in the number of Children ages 0-5; a 26.4% decrease in the number of Family Members; and, a 19% decrease in the number of Providers served between fiscal years 2013/14 to 2014/15. In contrast, there was only a 10.1% decrease in the number of services provided to Children ages 0-5. There was 26% reduction in the services provided to Family Members and a 35.1% decrease in the number of Provider services.

The Commission is in year two of a three-year planned reduction in funding due to decline revenue. The decline in Commission-funded services is consistent with the funding reduction. This decline does not necessarily mean a reduction in actual community services as staff has worked extensively with community partners to sustain services, independent of Commission funding. For example, while the Commission no longer funds some clinics, they continue to provide developmental screenings and assessments to young children in Orange County. While fewer families have been served in the past year, there has been a 13.6 percent increase in families living at 200 percent or below the poverty line, indicating the need for more intensive services.

The year-end program data is currently being reviewed to verify that these changes accurately capture the number of children and families served and the services provided. Any final adjustments will be incorporated into the report prior to the November 1 due date. In addition, the final results of this verification process will be reported at the December Commission meeting with further analysis of the FY 2014/15 data.

Required Certifications

Each year, First 5 California requests each county commission's Executive Director certify compliance with Health and Safety Code Section 130140 (Fiscal Memo 10-01) prior to July 1 in order to remain eligible to receive Proposition 10 tobacco tax revenues. This certification was submitted to the First 5 California in May 2015 prior to the prescribed deadline. First 5 California also requests that each county commission certify that Commission funds have been used only to supplement, not supplant, existing program funding for grantees. Commission authorization is requested for the Executive Director to provide the required statement that the Children and Families Commission of Orange County did not use its funding to supplant existing program funds.

Comprehensive Annual Financial Report (CAFR)

Vavrinek, Trine, Day & Co., LLP (Vavrinek) performed an independent annual audit of Commission financial statements for FY 2014/15 that included the expanded audit compliance requirements mandated by AB109/SB35. The auditors conducted their audit work in accordance with all standards applicable to financial audits, including generally accepted auditing standards, standards and procedures issued by the California State Controller's Office, and Government Auditing Standards issued by the Comptroller General of the United States. The *Comprehensive Annual Financial Report for the Year Ended June 30, 2015* is included as Attachment 2.

Results

The independent auditors found no instances of noncompliance with state or federal laws and regulations concerning financial matters. The auditors found no significant deficiencies, material weaknesses involving internal controls over financial reporting, or audit adjustments, and rendered an unmodified opinion on the *Commission's Comprehensive Annual Financial Report for Year End June 30, 2015*.

Vavrinek states these same results in the following reports:

- a. Independent Auditor's Report: "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, 2015, and the respective changes in financial position thereof and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America."
- b. Auditors' Report on State Compliance: "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, 2015."

The *Commission's Comprehensive Annual Financial Report* was prepared in compliance with the most up to date guidelines issued by the State Controller.

Amendments to FY 2015/16 Approved Operating Budget

The FY 2015/16 Budget was approved by the Commission in April 2015. A proposed Amended Annual Operating Budget for FY 2015/16 was developed following the analysis of current program allocations and encumbrances. The amended operating budget includes both previously approved contracts recommended to be carried forward into the current year and amendments to reallocate administrative savings into program funding:

- *Revenue* – Actual Tobacco Tax revenue was nearly \$700,000 above the FY 2014/15 budget amount of \$25.2 million. The strategy endorsed by the Commission in November 2013 would direct any additional revenue above forecasted budget amounts and year-end program savings to be reserved for catalytic investments. Consistent with this policy, directing the FY 2014/15 revenue above budget (\$700,000) into the reserve for catalytic investments is recommended.

Due to increased revenue, amending the FY 2015-16 beginning budget for Proposition 10 tobacco tax be is recommended. The amended amount of \$24.97 million reflects a decrease of 3.75% from the actual FY 2014/15 Proposition 10 revenue received.

- *Program Funding* – Program funding has been increased from \$30.21 to \$30.67 million to account for carryover funding and program expenses offset by unspent FY 2014/15 administrative costs. The budgeted increase of \$390,745 is due to the carryover of program funding originally budgeted in FY 2014/15 but not expended. The remaining amendments have been added to the FY 2015/16 budget and will be offset by unspent administrative funds in from FY 2014/15. All budget carryover and amendment items are summarized and further detailed in Attachment 3.

Long-Term Financial Plan

The Commission will consider the updated Long Term Financial Plan at the December meeting before the FY 2016/17 Proposed Budget is presented. It will include updated year-end financial results and revised revenue forecasts for the planning horizon.

STRATEGIC PLAN & FISCAL SUMMARY:

The reports and recommended actions presented in this staff report have been reviewed in relation to the Commission's Strategic Plan and are consistent with applicable goals. There is no funding action proposed for this item.

PRIOR COMMISSION ACTIONS:

- March 2015 – Conducted public hearing on First 5 California's FY 2013/14 Annual Report

- May 2015 – Conducted public hearing and approved FY 2013/14 Business Plan

RECOMMENDED ACTIONS:

1. Conduct Public Hearing
2. Receive the Annual Program Report including Supplemental Report for FY 2014/15 (Attachment 1) and authorize the Executive Director to submit the final report to the First 5 California Commission
3. Authorize the Executive Director to execute required certifications to the First 5 California Commission and to incorporate revisions to the annual data summary as needed to the Annual Program Report including Supplemental Report for FY 2014/15 prior to submittal
4. Receive the Comprehensive Annual Financial Report for Year Ended June 30, 2015, including State Compliance Report, (Attachment 2) and authorize the Executive Director to submit the Annual Financial Audit Reports, along with any supporting materials, to the First 5 California Commission and to the State Controller's Office
5. Approve FY 2015/16 Amendments to FY 2014/15 Operating Budget (Attachment 3) and adopt Resolution (Attachment 4) approving the Amended Annual Operating Budget for FY 2015/16 and direction of the 2014/15 Proposition 10 revenue above budget (\$700,000) into the reserve for catalytic investments.

ATTACHMENTS:

1. Annual Program Report including Supplemental Report, FY 2014/15
2. Comprehensive Annual Financial Report for Year Ended June 30, 2015 (will be available at the Commission meeting)
3. FY 2015/16 Amended Budget and Budget Line Item Detail
4. Resolution approving FY 2015/16 Amended Budget

Contacts: Michael Garcell – Annual Financial Audit and Budget Amendments
Sharon Boles – Annual Program Report



SUPPLEMENT TO
ORANGE COUNTY'S
ANNUAL REPORT TO
THE STATE FOR
FISCAL YEAR 2014/15

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Healthy Children

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- Appendix 3: Health Access and Education
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Strong Families

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Capacity Building

- Appendix 14: Capacity Building / AmeriCorps/VISTA
- Appendix 15: Evaluation System

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY (COMMISSION)

SUPPLEMENT TO THE ANNUAL REPORT TO THE STATE JULY 1, 2014 – JUNE 30, 2015

This supplemental report describes the Commission's investments in the programs it funds and the outcome of those investments. It also documents barriers to young children and the Commission's actions, programs and recommendations to advance the Commission's vision of an Orange County in which all young children are healthy and ready to learn.

Background

California voters passed Proposition 10, the California Children and Families First Act (The Act), in 1998. The Act provided for a 50 cent per pack excise tax on cigarettes. The monies collected are restricted to funding parent education, health, and early care programs that promote early childhood development from the prenatal stage through age five.

The Act enabled the Board of Supervisors in each county to establish its own Commission. On December 15, 1998, the Orange County Board of Supervisors adopted County Ordinance No. 98-18, creating the Children and Families Commission of Orange County (Commission).

In February 2000, the Children and Families Commission of Orange County adopted its Strategic Plan to become eligible for Proposition 10 tobacco tax revenue allocations. The Strategic Plan outlined the Commission's goals, outcomes, indicators and objectives, and guides its funding decisions. In May 2006, the Commission adopted an update to the Strategic Plan, highlighting linkages between the Strategic Plan and other planning efforts and expanded program-specific measures to better reflect the diverse services the Commission funds. In October 2014, the Commission approved revisions to the Strategic Plan to align with current priorities and strategies. The Strategic Plan is reviewed annually in a public hearing.

The Commission's mission is to: Provide leadership, funding and support for programs that achieve the vision that all children are healthy and ready to learn. The Commission defines four goals in its Strategic Plan:

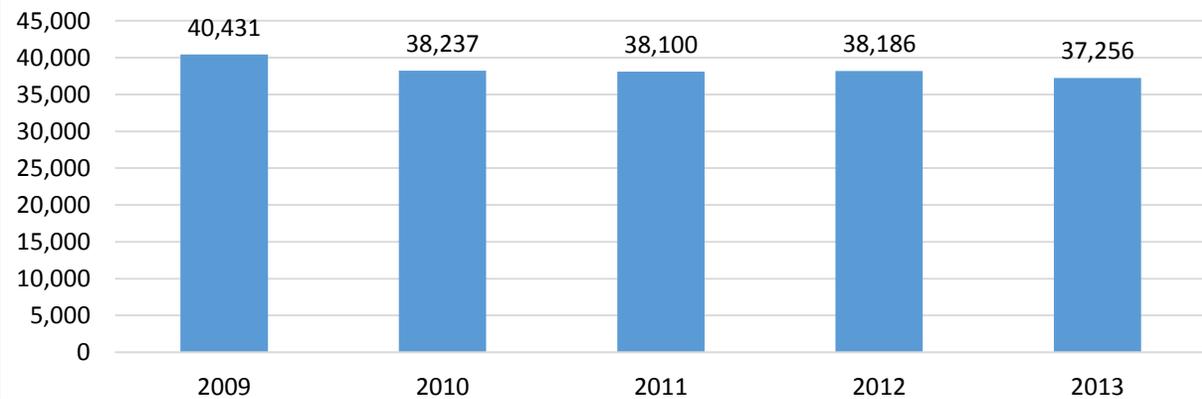
1. *Healthy Children:* Promote the overall physical, social, emotional and intellectual health of young children.
2. *Strong Families:* Support and strengthen families to promote good parenting for the optimal development of young children.
3. *Early Learning:* Provide early learning opportunities for young children to maximize their potential to succeed in school.
4. *Capacity Building:* Promote an effective and quality delivery system for young child and their families.

Orange County Demographics and Trends

There has been a steady decrease in the number of births and number of children ages five years and younger living in Orange County. Despite the decrease in the young population, there is growing need as the percentage of families living in poverty increased in the past five years, from less than 10% to over 13%. Measures that have improved in the past five years include an increase in the percentage of children who have public health insurance, an increase in the percentage of children who are up to date on their immunizations at kindergarten entry, and a decrease in the rate of substantiated child abuse in the county.

Births

**Number of Live Births
Orange County, 2009-2013**

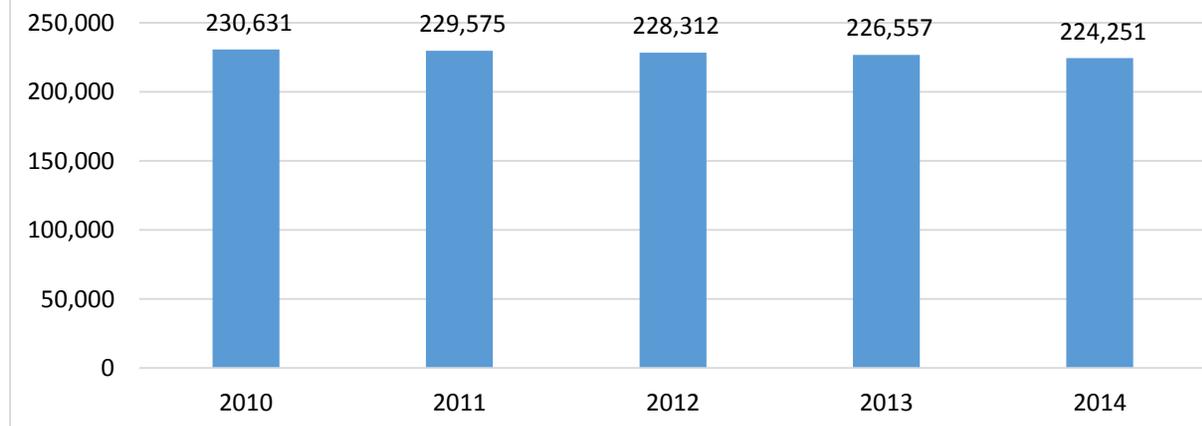


Source: California Department of Public Health

- There were 37,256 live births in Orange County in 2013.
- This represents a five-year decrease of 8% in the number of live births in the county.

Children under Age Six

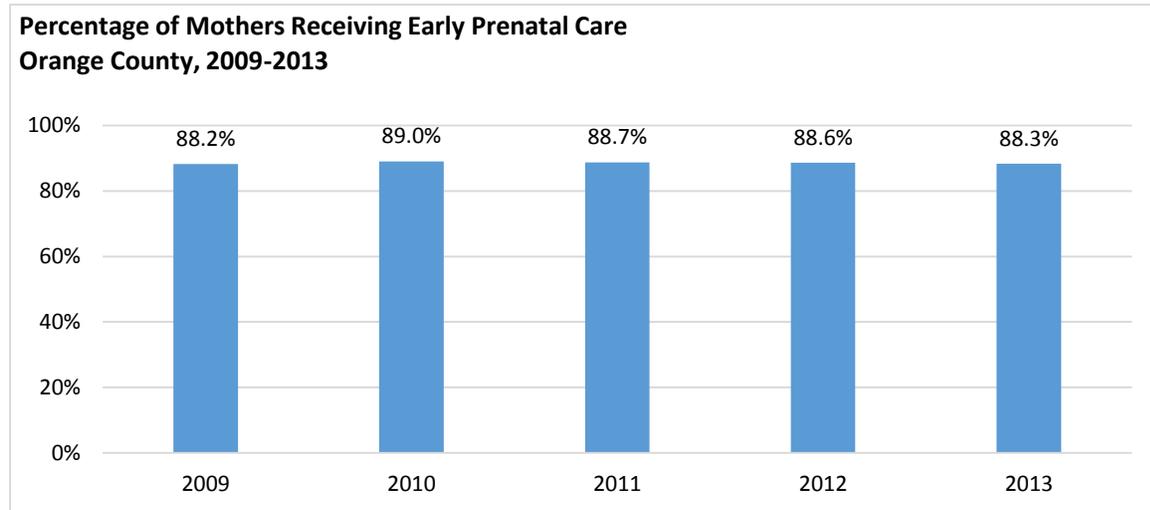
**Number of Children Birth through Age Five
Orange County, 2010-2014**



Source: California Department of Finance, Demographic Research Unit, Report P-3

- In 2014, there were 224,251 children ages five years and younger in Orange County.
- This represents a five-year decrease of 3%.
- In 2014, 7.2% of the total population in Orange County were ages five years or younger.

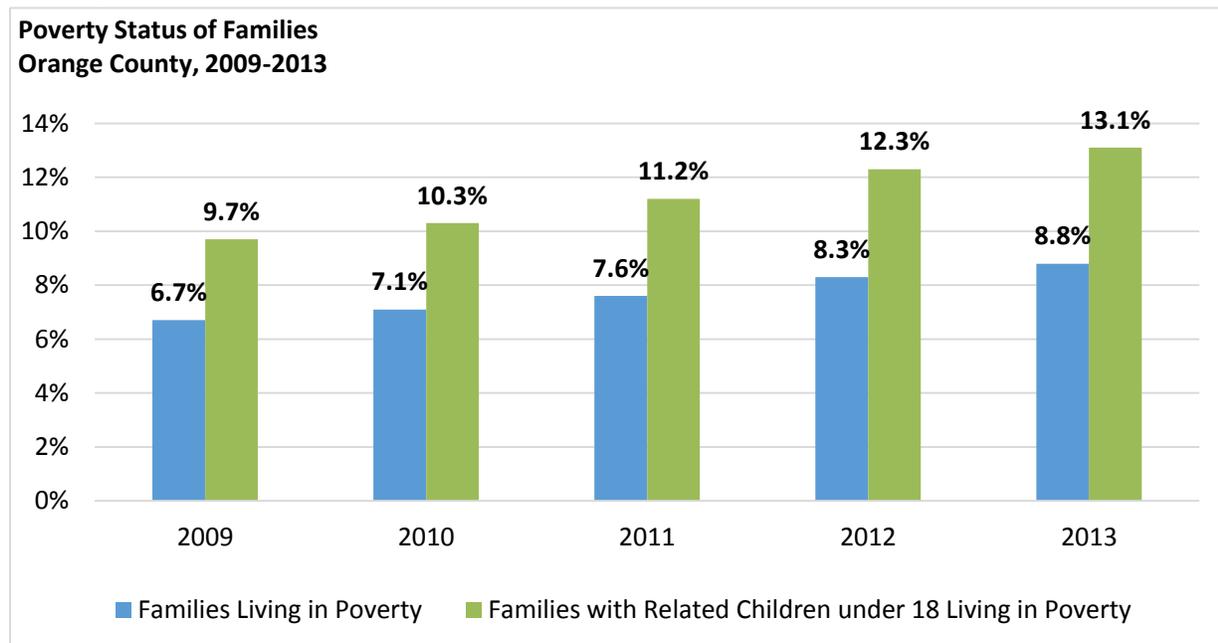
Early Prenatal Care



Source: California Department of Public Health

- In 2013, 88.3% of mothers received early prenatal care (care during the first trimester)
- This figure has remained relatively stable in the past five years.

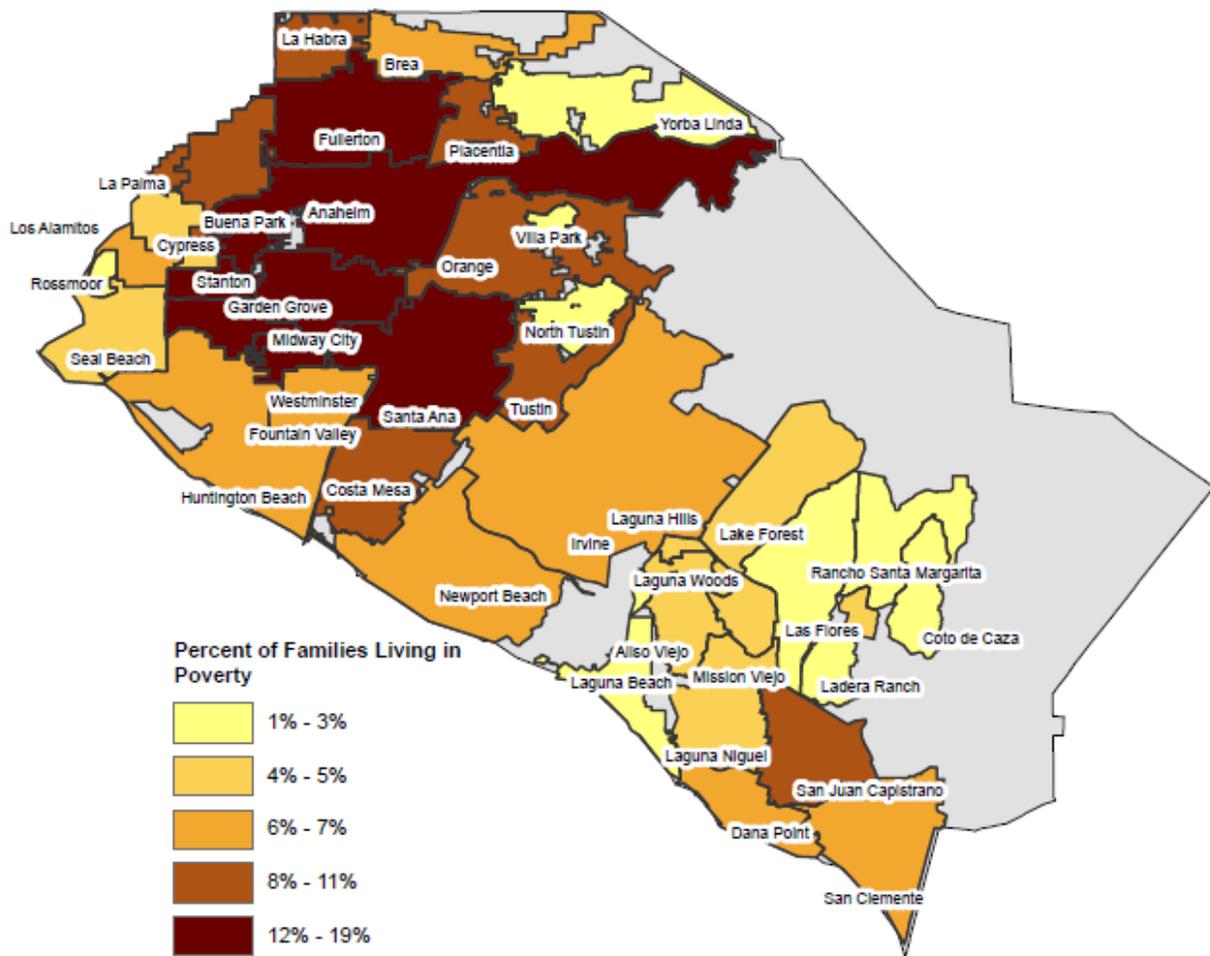
Poverty



Source: American Community Survey, 5-Year Estimates

- In 2013, 8.8% of families in Orange County were living below the official (federal) poverty line.
- The official poverty rate in Orange County is even higher for families who have related children under age 18 (13.1%).
- At 18.5% and 16.2%, the cities of Santa Ana and Stanton have the highest rate of families living in poverty, respectively.
- The California Poverty Measure, which has a broader definition of family and makes geographic adjustment for housing costs, estimates that 24.3% of Orange County’s residents are living below the poverty line (Public Policy Institute of California).

**Percentage of Families Living in Poverty
Orange County, 2013**

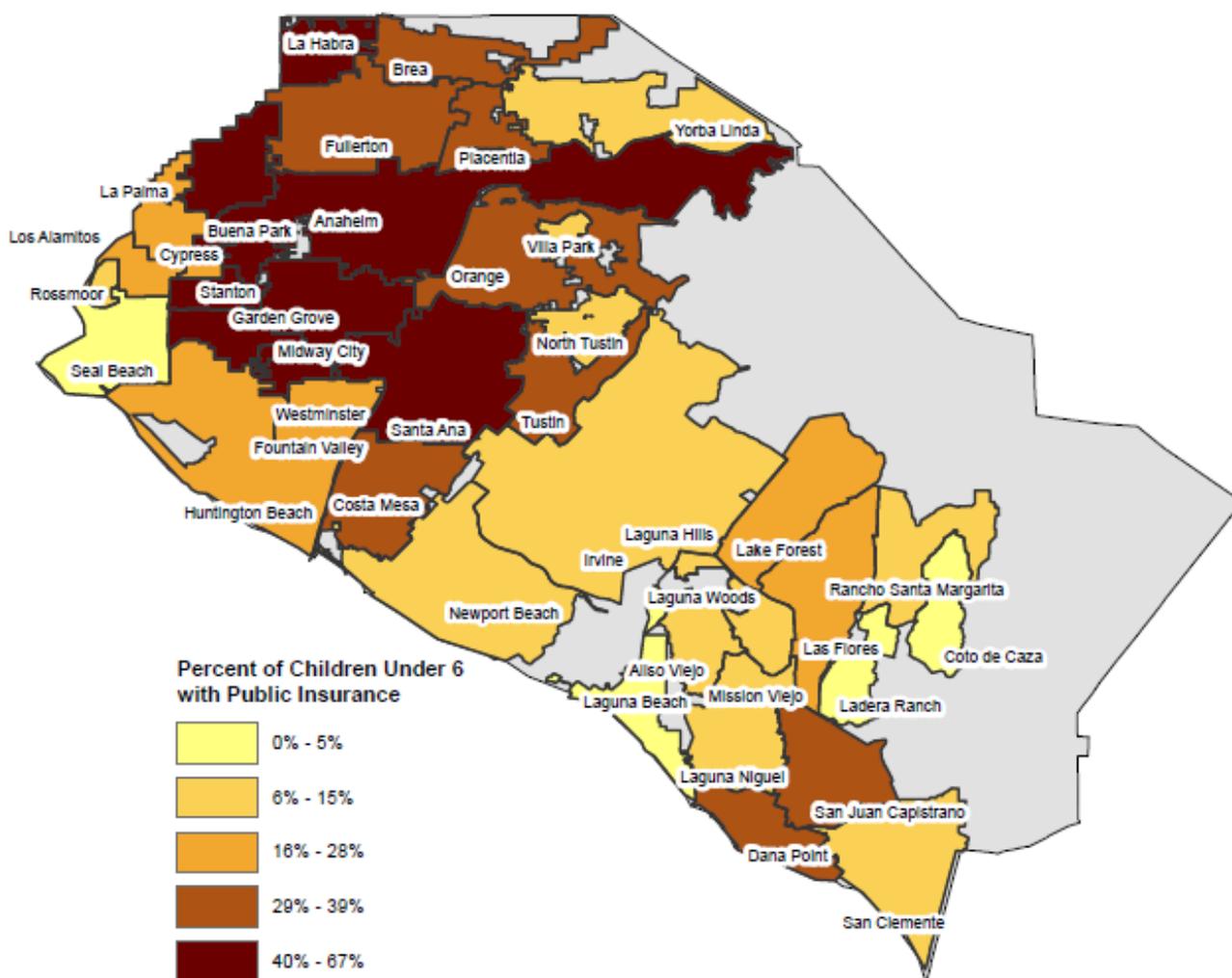


Source: American Community Survey, 5-Year Estimates

Public Health Insurance

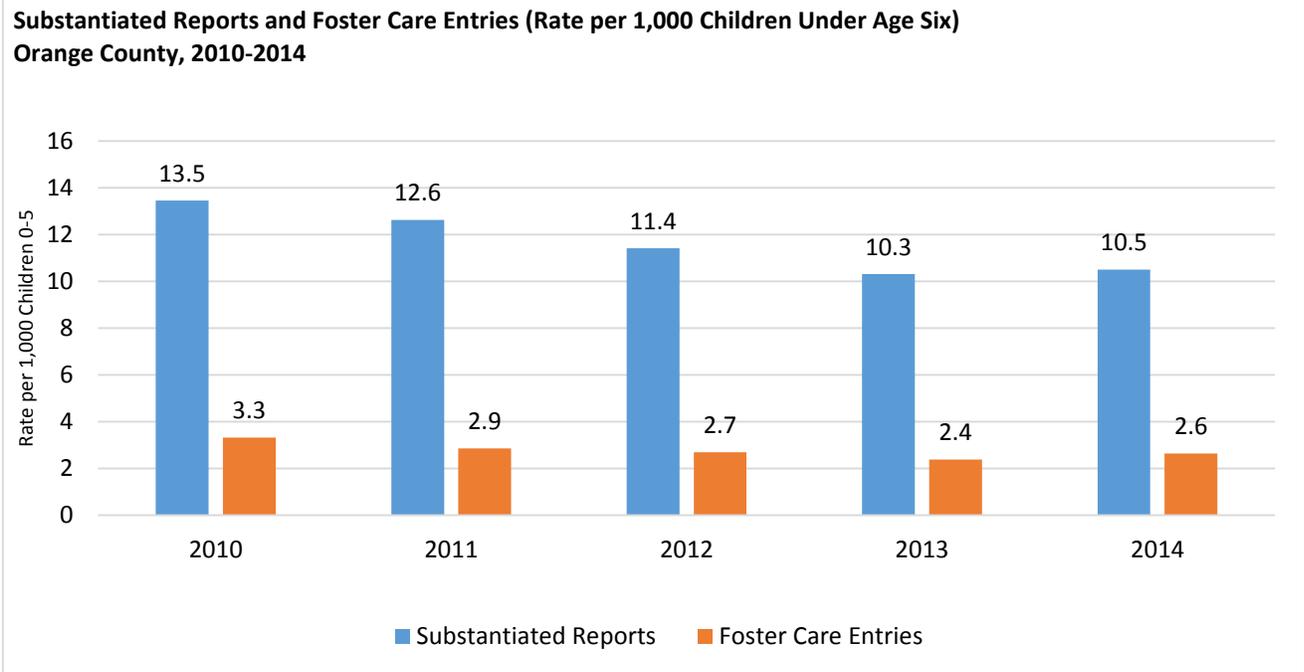
- In 2013, 38.0% of children birth through age five in Orange County had public health insurance.
- This is an increase from 2012, when 36.1% of children birth through age five had public health insurance.
- The cities of Santa Ana, Anaheim, and Garden Grove have the highest percentage of children birth through age five receiving public insurance (67%, 54%, and 54%, respectively).

Percent of Children under Age Six with Public Insurance Orange County, 2013



Source: American Community Survey, 5-Year Estimates

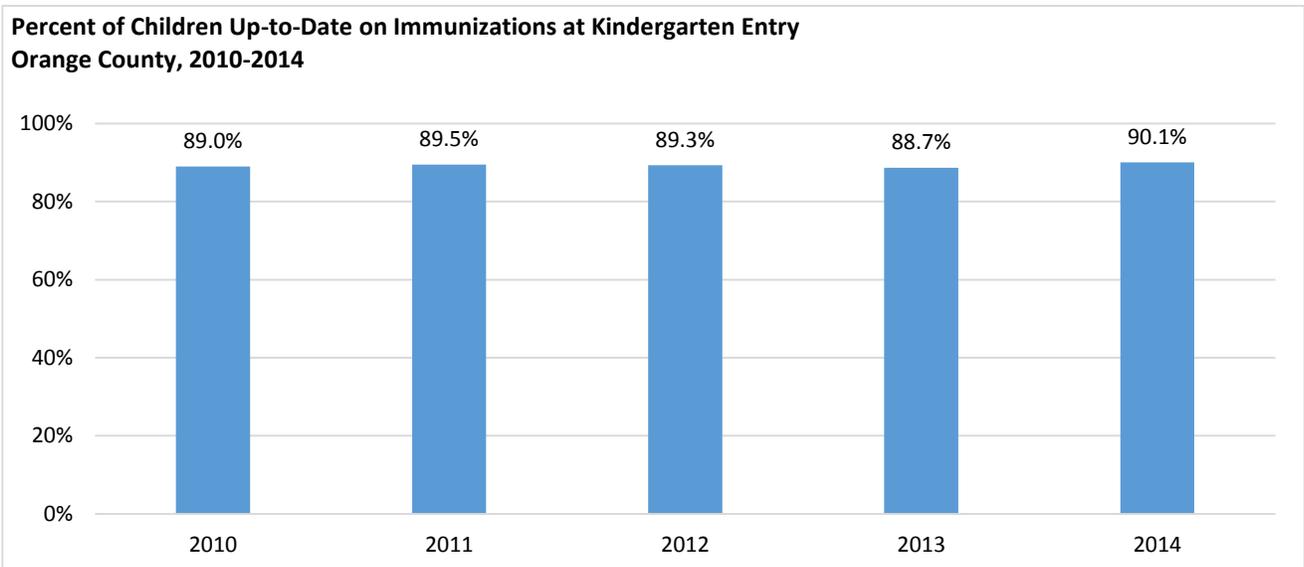
Child Abuse and Foster Care



Source: University of California Berkeley, Center for Social Services Research, Child Welfare Research Center

- In 2014, there were 10.5 substantiated abuse/neglect reports per 1,000 children birth through age five in Orange County.
 - This marks a five-year drop of 22%.
- In 2014, there were 2.6 foster care entries per 1,000 children birth through age five in Orange County.
 - This is a five-year decrease of 20% in the rate of foster care entries.

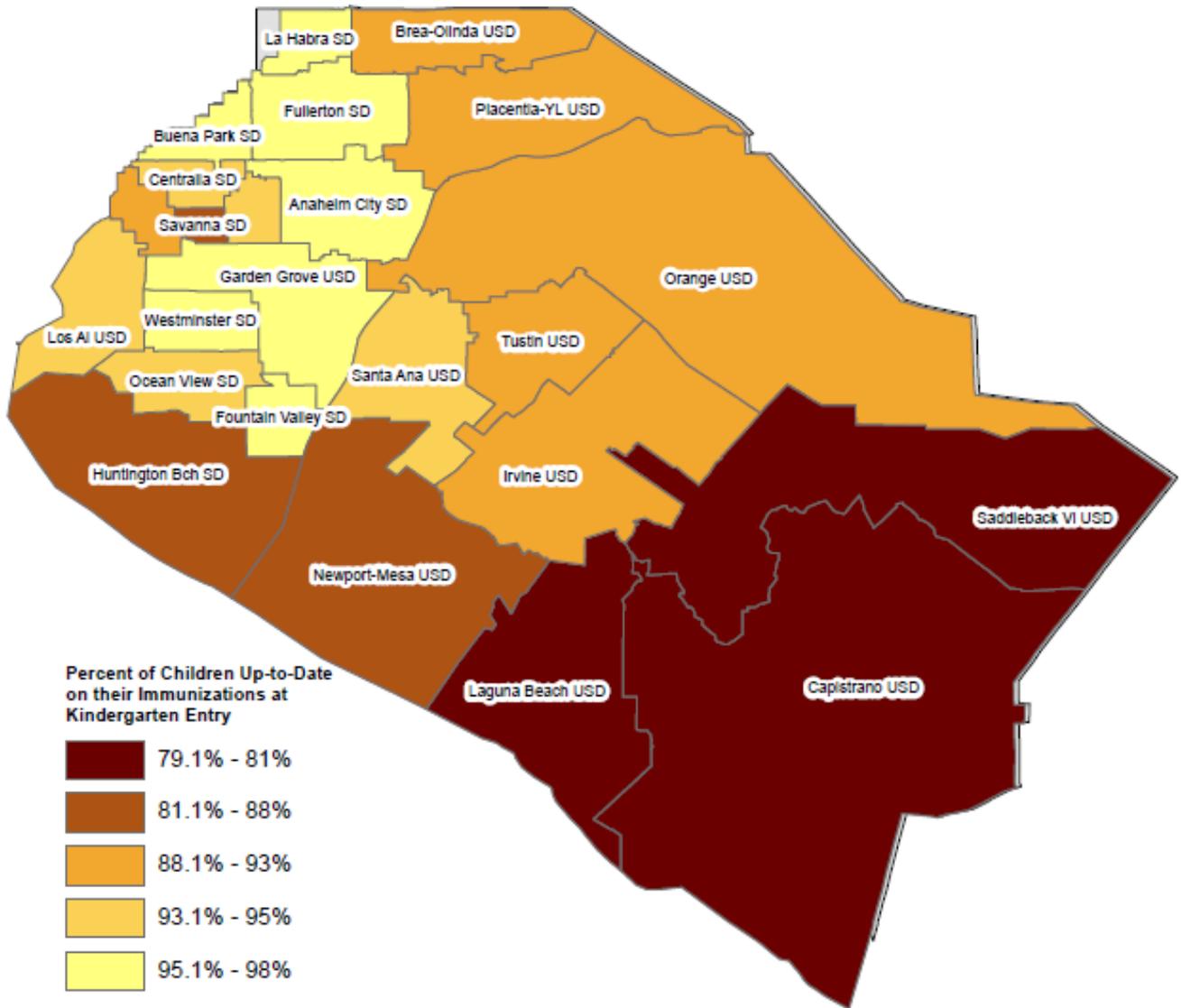
Immunizations



Source: California Department of Public Health

- In 2014, fully 90.1% of children had all the required immunizations upon kindergarten entry.
- This is an increase of more than one percentage point since 2010.
- The school districts of Capistrano, Laguna Beach, and Saddleback had the lowest rate of children up-to-date on their immunization at kindergarten entry (79%, 80%, and 81%, respectively).

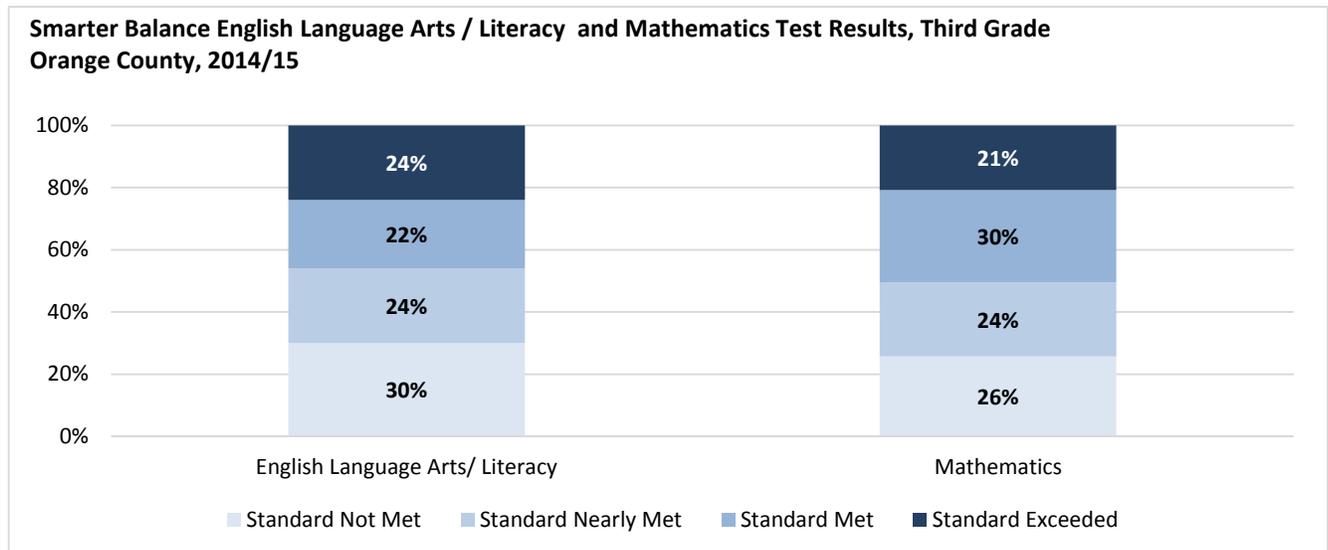
**Percent of Children Up-to-Date on their Immunizations at Kindergarten Entry
Orange County, 2014/15 School Year**



Source: California Department of Public Health

Third Grade English Language Arts and Mathematics

The California Department of Education has adopted new, online, end-of-year assessments of grade-level learning that measure progress toward college and career readiness. This *Smarter Balance Assessment* is aligned with the Common Core State Standards. 2014/15 is the first year data are available.



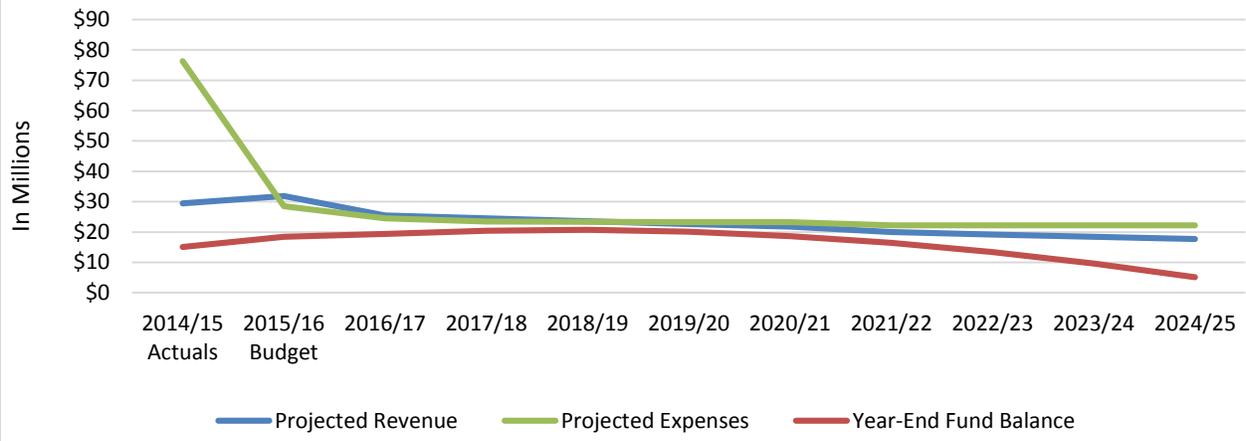
Source: California Department of Education, DataQuest

- Less than half (46%) of third graders in Orange County met or exceeded standards in English Language Arts/ Literacy.
- Slightly more than half (51%) of third graders met or exceeded standards in Mathematics.
- Third grade test results vary significantly by district:
 - English Language Arts/Literacy:
 - Laguna Beach and Los Alamitos school districts had the highest rate of third graders meeting or exceeding standards (77% and 75%, respectively)
 - Anaheim City and Santa Ana school districts had the lowest proportion of third graders meeting or exceeding standards (18% each)
 - Mathematics:
 - Los Alamitos and Irvine school districts had the highest rate of third graders meeting or exceeding standards (82% and 77%, respectively)
 - Anaheim City and La Habra school districts had the lowest proportion of third graders meeting or exceeding standards (23% and 26%, respectively)

Financial

Commission revenue is projected to decrease steadily in the next ten years, as tobacco consumption declines, from \$31,842,738 in annual revenues in fiscal year 2015/16 to \$17,708,153 projected annual revenue by fiscal year 2024/25. While actual revenue declined only 1.7% in fiscal year 2014/15, Proposition 10 tobacco tax revenue is projected to decline annually at an average annual rate between 3.5% and 4%. The Commission supplements the decline in annual revenue through annual withdrawals from its Long Term Commitment account. This account, however, is expected to be fully exhausted within the next eight years.

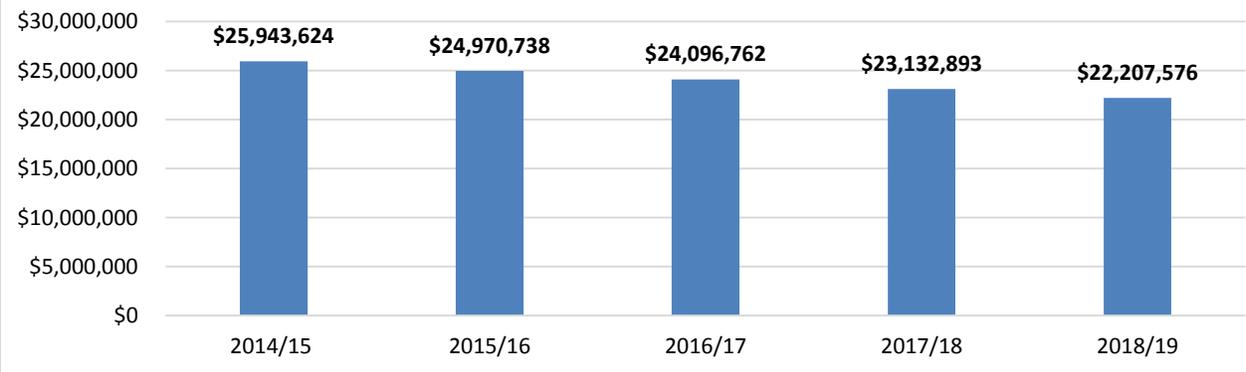
**Commission Long Term Financial Plan Revenue and Expenses
Fiscal Years 2014/15 - 2024/25**



Revenue

While actual revenue declined only 1.7% in fiscal year 2014/15, Proposition 10 tobacco tax revenue is projected to decline annually at an average annual rate between 3.5% and 4%.

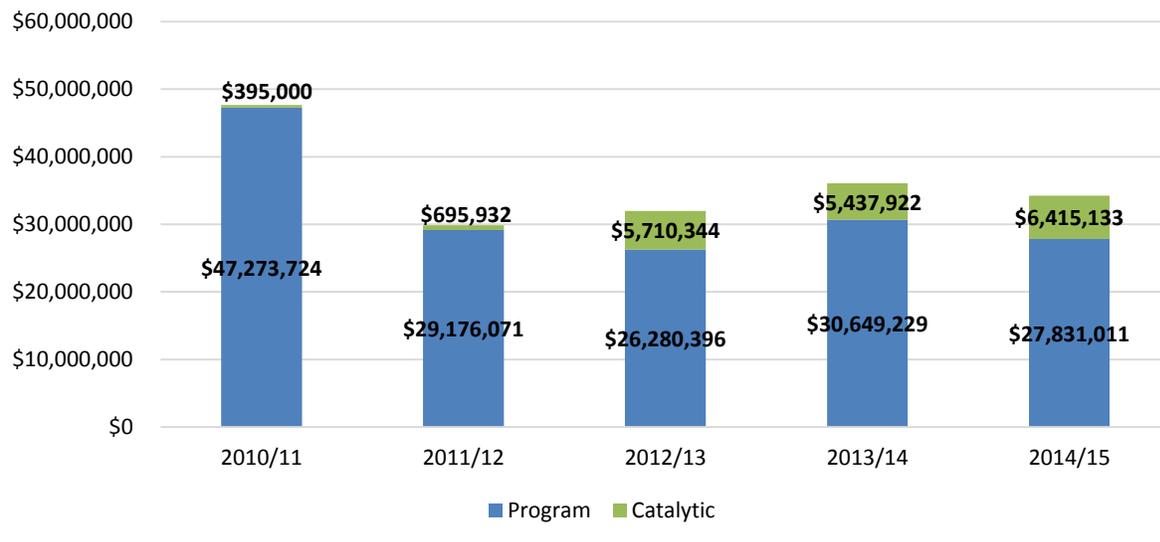
**Revenue Projection, Children and Families Commission or Orange County
2014/15 - 2018/19**



Program Funding

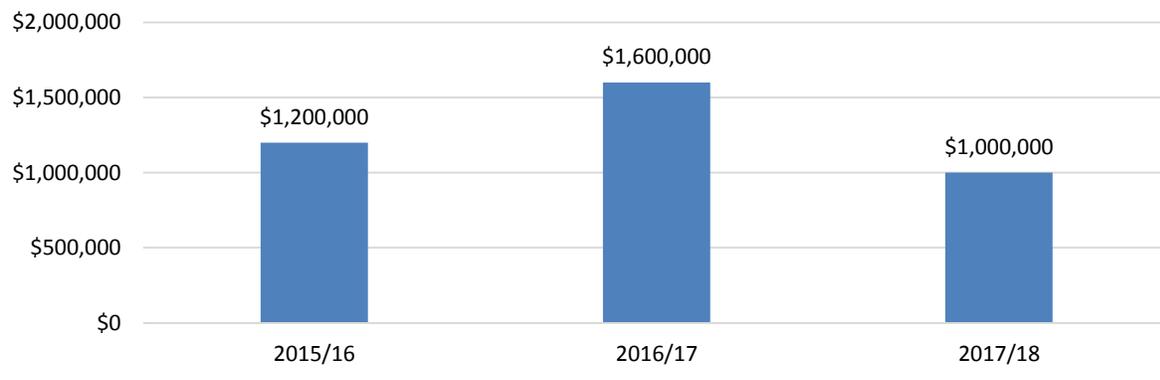
Fiscal year 2014/15 was the first of the three-year funding actions approved by the Commission in February 2014. The step-down approach embedded in the approved Long Term Financial Plan assumes a reduction of base budget program spending to align with declining tobacco tax revenue and provide sustainable program funding in future years. Beginning in fiscal year 2011/12, the Commission made a strategic change in its funding strategy, transitioning to one-time catalytic investments as an increasing share of its portfolio. Catalytic investments are intended to be one-time, system-level funding awards that improve the systems that serve young children and their families without requiring on-going funding support. Catalytic funding allows the Commission to make one-time investments that will impact children for many years, recognizing the steady decline in Commission revenue.

**Program Funding, Children and Families Commission of Orange County
Fiscal Years 2010/11 - 2014/15**



The chart below presents the planned financial shortfall in outlying years based on the 2014 Long-Term Financial Plan.

**Projected Financial Shortfall, Children and Families Commission of Orange County
Fiscal Years 2015/16 - 2017/18**



Commission policy dictates that administrative costs are no more than 10% of the annual budget. Commission staff have worked to implement numerous cost reduction strategies to reduce operating costs and this will continue to be a priority for Commission management to develop efficient administrative operations, while ensuring that program and collaborative planning, sustainability efforts and grantee oversight is not diminished or impacted. In fiscal year 2013/14, administrative costs were 6.1% of the Commission’s final expenses. In fiscal year 2014/15, administrative costs were further reduced to only 5.8% of final expenses. Administrative costs savings have been achieved through multiple strategies, including reducing staff and consultant support, relocating offices to more cost-effect space and developing a methodology for staff to direct account for their time spent on direct program services.

In terms of evaluation costs, the Commission spent 2.1% of its final expenses on evaluation-related activities in both fiscal years 2013/14 and 2014/15. One tool used to control evaluation costs has been the planning process with five Southern California Commissions to develop common data as a basis for a Request for Proposal for the development of a common data system to facilitate data collection and reporting across the region.

Sustainability Strategies

The Commission adopted a three-year business plan in fiscal year 2014/15 with an operational imperative *to markedly increase the resources to sustain the Commission-funded initiatives that measurably contribute to children's healthy development and school readiness by 2018*. The Commission continues to focus on addressing the sustainability challenge as tobacco tax revenue declines, and building the resources and partnerships to sustain, support and expand services for young children in Orange County.

The targeted outcomes include identifying \$3 million to \$5 million in sustainability strategies by 2018 through revenue and/or program efficiencies and strategically pursuing at least two national, major foundation or federal grants annually. Examples of sustainability strategies include:

- Transitioning an increasing portion of the funding portfolio from sustaining to catalytic investments. Catalytic investments are one-time funding that are intended to improve the system of care for young child, as well as reduce or eliminate ongoing funding; sustain multi-year services; and/or support infrastructure development to attract external funding sources.
- Pursuing federal and state leveraging opportunities including Medi-Cal Administrative Activities (MAA) and Targeted Case Management (TCM). Since the inception of the program, the Commission and its agency partners have generated close to \$47 million in federal funding.
- Ensuring that the organizations that receive Commission grants are fiscally and administratively sound. Fund Development, business planning, and sustainability efforts are supported through technical assistance offered to grantees.

Strategic Partnerships

The Commission continues to develop and nurture key community partnerships in order to build upon and not replicate existing systems of care. The Commission has developed several key partnerships:

Orange County Health Care System

Supporting children's healthy development is a priority for the Commission with efforts focused on ensuring that children have access to health coverage starting at birth; ensuring that young children have a health home and appropriately use the services; ensuring the availability of quality primary and specialty care services, including oral health, vision care, and early intervention services; and improving the quality of health care services specifically focused on the birth to age five population. To support these priorities, the Commission has developed partnerships with hospitals, community clinics, public health, community organizations, medical professionals, and other health funders. For example:

- *Hospital and Community Based Organizations* – The Commission has partnered with birthing hospitals and community-based programs that provide parent support services as part of the Bridges Maternal Child Health Network program. This partnership allows the Commission to make initial contact with newborns and families in Orange County.
- *Leading Pediatric Hospitals* – Collaborative programs are designed to ensure that pediatric specialty care is available to address identified health and development needs. One joint project is The Center for Autism and Neurodevelopmental Disorders that provides an integrated approach to care and other early intervention services. The Center serves as a foundation for the Help Me Grow-Orange County program that connects children, their families, and providers to early intervention services available in the community.
- *Community Clinics* – In addition to a partnership with the community clinics that provide access to pediatric care and preventive services, long term support for a children’s dental initiative includes support for the flagship dental organization Healthy Smiles for Kids of Orange County along with additional community clinics.
- *Health Funders Partnership of Orange County* – Members collectively work to improve the health of Orange County residents, as well as to enhance the impact and efficiency of health philanthropy. The Commission will continue to work with the Health Funders Partnership on collaborative countywide strategies on prevention, early intervention, access to health services and other health promotion initiatives.

Orange County School Districts

A primary program initiative of the Commission is school readiness. This includes working with children prior to kindergarten entry, and working with schools to develop a successful transition path from early care programs into elementary school. School Readiness Nurses also assist in bridging communication between health and education service systems to ensure that young children are healthy and ready to learn.

Local and Regional Funders

The Commission participates as a member of several local and regional funding collaboratives when common missions and objectives create an opportunity for collective impact. The Commission is an active member of the Health Funders Partnership, the Orange County Funders Roundtable as well as other project specific partnerships. These partnerships allow the Commission to strengthen its community impact, develop diverse funding bases for program sustainability, and strengthen community support for outcomes for children and families.

Local Government and Business Community

The Commission is on the forefront of working with local government and business leaders to promote the importance of school readiness for workforce development. The Commission maintains active involvement with local governments and the business community through participation in the Orange County Forum and working with business support groups, such as the Orange County Business Council and the Association of California Cities, Orange County.

Community-Based Organizations

Local health and human service organizations throughout Orange County administer and execute the programs funded by the Commission. Partnerships with these organizations are essential to reaching the diverse ethnic and geographic populations in Orange County.

Statewide Partnerships

Achievement of the goals and objectives set forth in the Commission's Strategic Plan requires statewide and regional partnerships with other county commissions or the state commission. The opportunity for multi-county plans and programs is specifically authorized in Proposition 10 and has been successfully utilized by Orange County. Authorized activities include multi-county programs, technical assistance activities, legislative and policy advocacy, and serving as fiscal sponsor for statewide programs such as AmeriCorps, which include activities that benefit Orange County.

Commission partnerships avoid duplication of effort and provide more efficient and targeted service delivery. Commission supported partnerships among health care providers, family resource centers, clinics, schools districts, and early childhood education providers form the foundation for service delivery to families with young children.

The Outcomes

The Commission implements a standardized set of indicators to address each of its targeted outcomes and objectives. The "Services Provided by..." tables (see Table 3 below) in this report detail the services provided for each subcategory and include four columns: the first two columns list the Strategic Plan outcomes and services used by Commission-funded programs and the third and fourth columns list the number of clients and services delivered, respectively.

In fiscal year 2014/15, there were 137,228 new Children ages 0-5; 116,269 new Family Member; and 12,552 new Service Providers served by Commission-funded programs. Children ages 0-5 received over 1.8 million services, while their Family Members received over 765,000 services. Over 21,000 services were provided to Service Providers during fiscal year 2014/15 (see Table 1 below).

Between fiscal years 2013/14 and 2014/15, there was a 20% decrease in the number of Children ages 0-5; a 26% decrease in the number of Family Members; and a 19% decrease in the number of Providers served. In terms of the number of services provided, between fiscal years 2013/14 and 2014/15, there was only a 10% decrease in the number of services provided to Children ages 0-5. There was 26% reduction in the services provided to Family Members and a 35% decrease in the number of Provider services.

The decrease in clients served during the past fiscal year has been identified to be attributed to a combination of the following factors: 1) a reduction in funding levels among some programs; 2) the declining birth rate in Orange County; 3) program model changes; and, 4) data collection compliance. It should be noted that while there have been reductions in funding related to reductions in numbers served, many of the programs have been able to sustain their delivery of services without Commission funding. For example, while the Commission no longer funds some clinics, they continue to provide developmental screenings and assessments to young children in Orange County. While fewer families have been served in the past year, there has been a 14% increase in families living at 200 percent or below the poverty line, indicating the need for more intensive services.

To strengthen the link between funding and provider performance, the Commission is working to increase compliance with the Commission's outcome systems and regular reporting of measureable outcomes for all programs and strategies.

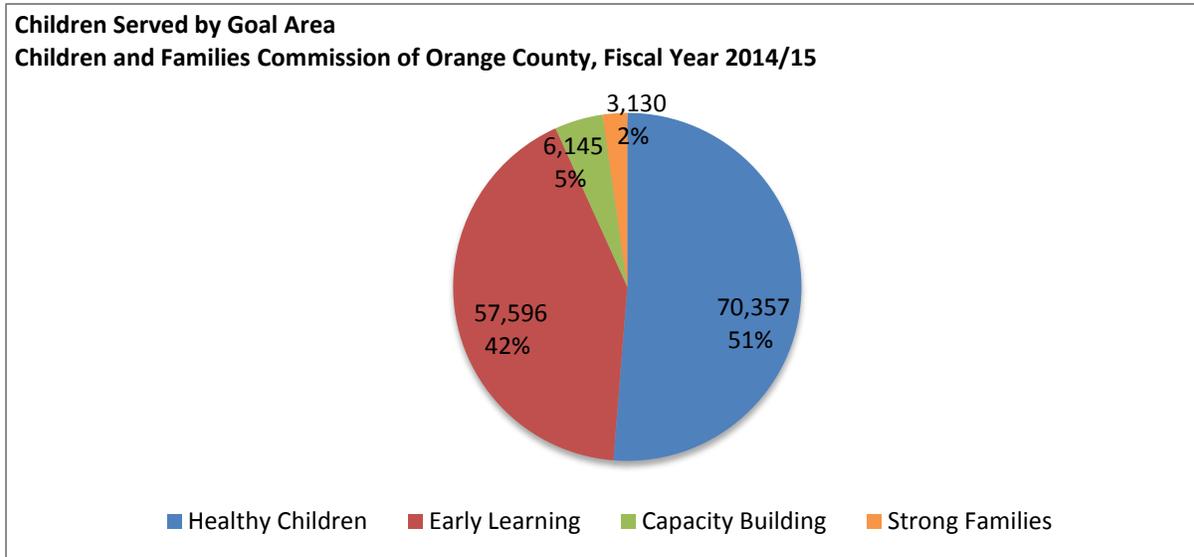
During fiscal year 2014/15, the Commission funded 126 organizations to implement 248 individual programs serving children, families, and providers. This report provides details on the numbers children, family members, and service providers served by Commission-funded programs and the services that were provided to them. For each funding subcategory, the following data are provided along with the data source(s):

Data	Data Source(s)
Number of children ages 0-5, family members, and service providers receiving services from Commission-funded programs	<ul style="list-style-type: none"> • Commission Data Collection and Reporting System
Number of services provided to children, family members, and service providers	
Number of children with client level data	<ul style="list-style-type: none"> • Commission Data Collection and Reporting System; Bridges Connect Data System for Children 0-5 (Client Level Data on children receiving intensive services and whose parents consent to data collection)
Age breakouts of children with client level data	
Ethnicity of children with client level data	
Primary Language of children with client level data	
Poverty level of children with client level data	
Numbers of different types of services provided to children, family members, and service providers	<ul style="list-style-type: none"> • Commission Data Collection and Reporting System
Key Service Outcomes	<ul style="list-style-type: none"> • Service Outcome Questionnaires (SOQs) in Commission Data Collection and Reporting System, Bridges Connect, and the Homeless Management Information System

This report provides the above information for the Commission as a whole. In addition, appendices are available, which provide the information by Commission goal areas and funding subcategories:

Commission Goal Area	Funding Subcategory
All	Commission-Wide Data
Healthy Children	Bridges Maternal Child Health Network Community Clinics Health Access and Education Children's Dental Pediatric Health Services School Readiness Nursing Nutrition and Fitness
Strong Families	Homeless Prevention Family Support Services
Early Learning	Early Learning Specialist Early Literacy CARES Plus and Child Signature Programs Other Early Learning Programs
Capacity Building	Capacity Building / AmeriCorps/VISTA Performance Outcomes Measurement System

In fiscal year 2014/15, a majority of the children (51%) were served through the Commission’s Healthy Children goal area and another 42% were served through the Early Learning goal area. Only 5% of children were served through the Capacity Building goal area, and 2% through the Strong Families goal area.



Commission-Wide Data

Table 1. Aggregate Data for all Commission-Funded Programs

	Children Ages 0-5	Family Members	Service Providers
Number of people receiving services*	137,228	116,269	12,552
Number of services provided	1,820,320	765,211	21,356

* Although each grantee reports an unduplicated count, clients served by more than one program may be counted more than once when data from multiple grantees are added together.

Table 2. Description of Children Served¹ in FY 14/15 Based on Client Level Data

Variable Considered	Category Label	Count ²	Percent
Total number of children with client-level data		7,841	100
Age at most recent interview	Under Three	4,067	51.9
	Three through Five	3,774	48.1
Ethnicity	Amer. Indian/Alaska Native	20	0.3
	Asian	278	3.7
	Black/African American	135	1.8
	Hispanic/Latino	5,639	74.2
	Pacific Islander	24	0.3
	White	727	9.6
	Vietnamese	118	1.6
	Multiracial	381	5.0
	Other	87	1.1

	Unknown	188	2.5
Primary Language	English	2,895	38.8
	Spanish	3,592	48.2
	Vietnamese	99	1.3
	Other	218	2.9
	Unknown	650	8.7
At or Below 200% Federal Poverty Level		5,957	90.8

¹A child can be served by more than one provider. In that event, the child is counted each time he/she is served by a different provider.

²The counts for specific demographic variables may be less than the total number of children entered in the Commission's Data Collection and Reporting System and Bridges Connect. This typically occurs because survey respondents decline to answer a specific question, or an error in data entry results in an out-of-range value that must be deleted.

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
HC.1 Children are born healthy	Clinical prenatal visits	641	1,855
	Case management meetings/home visits to support prenatal care	706	2,516
	Classes to support healthy pregnancy	72	27
	Pregnant women receive support for healthy pregnancy and early childhood health	8,637	8,637
	Home visits/case management conducted with expectant mothers with a history of ATOD abuse	36	156
	Classes for at-risk for ATOD	342	63
	Home visits/case management meetings conducted with parents with a history of ATOD abuse	59	273
HC.2 Children receive early screening and, when necessary, assessment for developmental, behavioral, emotional, and social conditions, and referral and linkage to services as	Providers trained on how to screen, assess and/or identify child developmental milestones	226	248
	Providers educated on child development, recognizing key milestones, and the importance of screening and/or assessment	4,345	8,459
	Providers receive informational materials regarding developmental milestones and development	314	9,325
	Children receive developmental screening using AAP recommended tools (e.g. PEDS, ASQ, ASQ-SE, MCHAT)	15,593	20,666
	Parents receive education, resources, referrals, and support regarding their child's development	3,163	9,469
	Parents receive referrals regarding their child's health and developmental concerns	4,468	4,761

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
appropriate	Parents are linked to referred services for their child's health and developmental concerns	2,199	2,304
	Parents receive informational materials regarding developmental milestones and development	121	737
	Children receive vision screening	10,636	11,118
	Children receive hearing screening	9,668	10,386
	Children receive body composition and stature screening (height, weight, Body Mass Index)	9,539	9,855
	Children receive health status screening (e.g., asthma, allergies, etc.)	11,620	12,230
	Children receive behavior health screening using Commission-approved tool	1,221	1,223
	Children receive comprehensive screening (Includes: vision, hearing, height, weight, health, and developmental milestones using PEDS or ASQ)	9,712	9,668
	Children receive assessment (e.g., vision, hearing, speech/language, psychosocial issues, motor skills, health, special needs, and/or parent-child functioning)	977	9,451
HC.3 Children have and use a regular place for medical and dental care	Children are linked with health insurance enrollment	2,623	2,649
	Children are linked to a health care home	2,727	2,756
	Children receive primary care services/visits, including well child and sick visits	4,395	11,684
	Children are linked to a dental home	1,691	1,691
	Children receive a dental screening	16,925	17,066
	Children receive preventative dental treatment (e.g., cleaning, sealant)	10,863	16,605
	Children receive restorative dental treatment (e.g., carries)	439	2,651
	Children receive emergency dental treatment (e.g., abscess)	38	218
	Children with special needs receive dental care	583	1,508
	Parents receive training on oral health	11,849	14,221
	Children receive oral health education	16,873	18,208
	Providers receive oral health education	389	492
HC.4 Children grow up healthy	Mothers receive breastfeeding education, intervention and support	14,993	16,749
	Children enrolled in multi-disciplinary weight loss and/or physical activities program	217	529
	Children receive nutrition and physical activity education	917	917
	Children participate in YMCA Aquatic Center programs	845	10,002
	Parents participate in YMCA Aquatic Center programs	236	1,709

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
	Children participate in YMCA sports programs	240	3,092
	Children screened for up to date immunizations	13,601	17,168
	Children receive specialty care clinic visits	982	4,631
	Children receive specialty care follow-up clinic visits* *(all children are repeat/returning)	1,545	2,863
	Parents receive home visits focused on ongoing medical surveillance and linkage to appropriate referrals	67	489
	Parents receive specialty care education, resources, referrals, and support	4,116	10,438
	Providers receive specialty care education	387	387
SF.1 Families are stably housed	Children receive emergency or transitional shelter (bed nights)	493	40,180
	Family members emergency or transitional shelter (bed nights)	817	56,038
	Parents receive weekly case management services	350	6,981
SF.2 Children are safe and well cared for	Parents receive home safety checks	1,944	3,167
	Parents receive training about preventable injuries and deaths	31	235
	Home visitors and/or program staff will assess and provide service plans to improve parent knowledge of healthy child development using a Commission-approved tool	487	487
	Home visits to improve parent knowledge of healthy child development	2,765	19,771
	Office visits to improve parent knowledge of healthy child development	14,004	17,371
	Parents participate in parenting education classes/series on healthy child development	6,682	582
	Children receive health education classes	7,696	713
	Children receive group interventions to improve healthy child development	313	37
	Providers receive consultations to improve provider knowledge of healthy child development	814	1,087
SF.3 Caregivers have ready access to family support services and resources	Mothers are screened with the Bridges Screening Tool	11,457	11,457
	Parents receive referrals to services	22,382	46,196
	Parents receive referrals to MCHN programs	1,936	1,936
	Parents receive referrals to non-MCHN programs	11,326	42,548
	Providers receive referrals to services	599	853
	Parents receive follow up on referrals and services are accessed	7,389	15,632
	Parents receive Kit for New Parents	15,541	15,541
	Family support and child development teacher trainings	195	15

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
SF.4 Families have resources to support the management and treatment their child's behavioral health needs	Children receive behavioral health treatment services	44	250
	Providers are educated to increase awareness and identification of behavioral health issues	734	233
	Providers receive training on behavioral health treatment services for children 0-5	323	26
	Parents receive education, resources, referrals, and support regarding their child's behavioral health issues	475	2,486
	Parents receive behavioral health screening	876	4,234
	Staff participate in case management team meetings to support the needs of the families served	131	257
EL.1 Children have the developmental skills* to be proficient learners in school	Children read to at physicians' offices or clinics	12,663	1,102
	Parents participate in a program designed to increase the frequency of reading at home	12,509	397,674
	Children participate in a program designed to increase the frequency of reading at home	41,534	478,513
	Parents receive literacy information/assistance in waiting rooms or community events	17,415	9,434
	Provider will recruit and support pediatrician offices to participate in Reach Out Read National Program	78	108
	Books distributed to children	N/A	135,424
	New and used books collected for distribution	N/A	136,102
	Children participating in early literacy programs	435	514
	Children participate in early math programs	9,226	872,298
	Parents receive speech and language services (classes)	1,190	1,045
	Providers will conduct classroom assessments using an established tool such as ECERS or ELLCO	459	459
	Providers are given resources and early intervention strategies for appropriate early care	376	2,063
	Providers receive training for the implementation of the CARES Plus program	425	558
	Children receive center-based early care and education services other than preschool	543	9,050
	Children receive enhanced school readiness services through other preschool programs	278	2,357
	Parents participate in a drop-in, family-focused early learning program (i.e., Learning Link)	3,518	43,736
Children participate in a drop-in, family-focused early learning program (i.e., Learning Link)	3,490	57,088	
EL.2 Schools	Children visit Kindergarten classrooms prior to start of	7,392	7,392

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
are ready for children when they enter kindergarten	school year		
	School readiness and child development teacher trainings	1,145	45
	Provide coaching and in-class training for early educators	74	517
	Children's health and development records are transferred to their elementary school prior to entering kindergarten	4,858	4,858
EL.3 Parents have the supports that contribute to children's readiness for school success	Parents receive tools, resources, information and/or training needed to transition their child to school	20,775	56,524
CB.1 Increase sustainability	Dollar amount raised	N/A	\$9,949,220
	Dollar amount received by leveraging Commission dollars	N/A	\$3,989,327
	Dollar amount of in-kind contribution generated	N/A	\$177,471
	CSP match dollars submitted	N/A	\$3,711,087
	Number of volunteers recruited	2,059	N/A
	YMCA will make available space for use by Commission grantees (days)	N/A	116
CB.2 Increase access and efficiency, quality and effectiveness	Public information and outreach campaign to increase community awareness to promote access	N/A	189
	Developing partnerships, coordinating and collaborating with other agencies to improve service delivery	N/A	1,127
	Children with special needs served	3,259	3,259
	Technical assistance is provided, such as assistance with sustainability plans, evaluation activities, and providing quality services	119	1,126
	Providers receive trainings to build the capacity of the agency to increase quality services	3,068	594
	Provide transportation to parents to health or social services	25	143
	Provide transportation to children 0-5 to health or social services	18	109
	Provide specialized child care to children 0-5	5	130

Table 4. Service Outcomes for All Commission-funded Programs

Key Strategic Plan Objectives	SOQ Results
Healthy Children	
<ul style="list-style-type: none"> • Increase to at least 90% the proportion of all pregnant women who receive early prenatal care, and decrease racial/ ethnic disparities 	<ul style="list-style-type: none"> • 88.0% of mothers received prenatal care in the first trimester
<ul style="list-style-type: none"> • Increase to 100% the proportion of children who have a health care home 	<ul style="list-style-type: none"> • 99.2% of children had a dental health home at the end of services (compared to 64.3% at the beginning of services)
<ul style="list-style-type: none"> • Increase to 100% the number of children with health coverage 	<ul style="list-style-type: none"> • 99.1% of children served had dental insurance at the end of services (compared to 94.6% at the beginning of services)
<ul style="list-style-type: none"> • Increase age appropriate immunization levels to at least 95% 	<ul style="list-style-type: none"> • 94.2% of children received all age appropriate immunizations at the end of services (compared to 86.4% at the beginning of services)
<ul style="list-style-type: none"> • Reduce dental cavities so that the proportion of young children with one or more cavities is no more than 9% 	<ul style="list-style-type: none"> • 83.2% of children had no cavities at the end of services (compared to 71.6% at the beginning of services)
<ul style="list-style-type: none"> • Increase to at least 90% the proportion of mothers who breastfeed their babies at early post-partum and to 50% those who continue to breastfeed at 6 months, any or exclusive 	<ul style="list-style-type: none"> • 54.3% of mothers breastfed their babies until 6 months of age
Strong Families	
<ul style="list-style-type: none"> • Reduce the number of children who are homeless to zero 	<ul style="list-style-type: none"> • 63.1% of children were unstably housed or at risk for homelessness at the end of services (compared to 97.4% at beginning of services)
<ul style="list-style-type: none"> • Reduce the number of children who are homeless to zero 	<ul style="list-style-type: none"> • 56.2% of children 3 or older were attending school on a regular basis or most of the time at the end of services (compared to 35.8% at the beginning of services)
Early Learning	
<ul style="list-style-type: none"> • 75% of typically developing children are effective learners in literacy 	<ul style="list-style-type: none"> • 25.2% of children knew none of the alphabet letters by name at the beginning of services compared to only 6.8% at the end of services
<ul style="list-style-type: none"> • 75% of typically developing children are effective learners in literacy 	<ul style="list-style-type: none"> • 91.4% of children could identify his or her written name at the end of services, compared to only 62.1% at the beginning of services
<ul style="list-style-type: none"> • 75% of typically developing children are effective learners in literacy 	<ul style="list-style-type: none"> • 97.9% of children had familiarity with books at the end of services, compared to 87.9% at the beginning of services
<ul style="list-style-type: none"> • 80% of typically developing children are effective learners in numeracy 	<ul style="list-style-type: none"> • 92.0% of children could count a group of three to five objects by touching each object at the

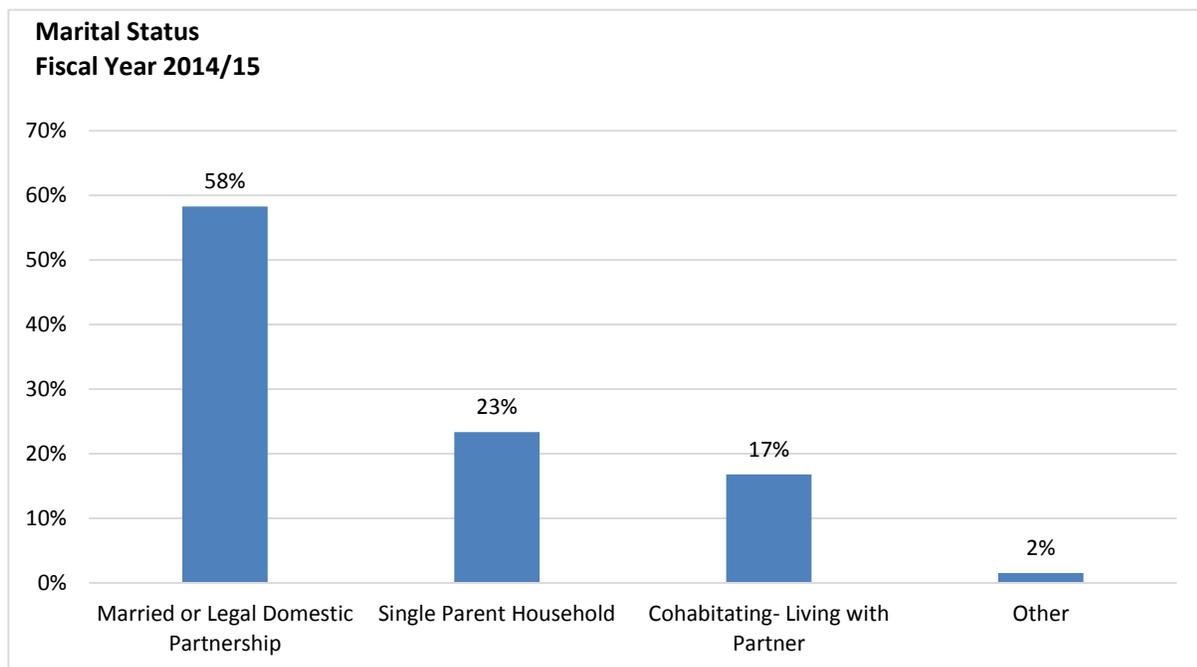
Key Strategic Plan Objectives	SOQ Results
	end of services, compared to 74.9% at the beginning of services.
<ul style="list-style-type: none"> 80% of typically developing children are effective learners in numeracy 	<ul style="list-style-type: none"> 92.0% of children could correctly name at least two shapes at the end of services, compared to only 75.2% at the beginning of services
<ul style="list-style-type: none"> 80% of typically developing children are effective learners in numeracy 	<ul style="list-style-type: none"> 81.3% of children could recite at least five numbers in order at the end of services, compared to only 56.3% at the beginning of services
<ul style="list-style-type: none"> 75% of typically developing children are socially competent 	<ul style="list-style-type: none"> 97.3% of children could follow simple two-step oral directions at the end of services, compared to 90.0% at the beginning of services
<ul style="list-style-type: none"> 75% of typically developing children are socially competent 	<ul style="list-style-type: none"> 95.7% of children cooperated with the daily classroom routine most of the time at the end of services, compared to 90.5% at the beginning of services
<ul style="list-style-type: none"> Increase parents' knowledge and involvement in preparing children for school 	<ul style="list-style-type: none"> 75.8% of parents taught their children letters, numbers, or words at least three times in the prior week at the end of services, compared to 62.9% at the beginning of services
<ul style="list-style-type: none"> Increase parents' knowledge and involvement in preparing children for school 	<ul style="list-style-type: none"> 87.9% of parents played with toys or games indoors at least three times in the prior week at the end of services, compared to 81.7% at the beginning of services
<ul style="list-style-type: none"> Increase parents' knowledge and involvement in preparing children for school 	<ul style="list-style-type: none"> 69.7% of parents went on outings with their child at least three times in the prior week at the end of services, compared to 59.0% at the beginning of services
<ul style="list-style-type: none"> Increase parents' knowledge and involvement in preparing children for school 	<ul style="list-style-type: none"> 90.1% of parents talked with their child about daily activities at the end of services, compared to 81.9% at the beginning of services
<ul style="list-style-type: none"> Increase parents' knowledge and involvement in preparing children for school 	<ul style="list-style-type: none"> 73.6% of parents played, games, sports or exercised with their child at least three times in the prior week at the end of services, compared to 63.4% at the beginning of services
<ul style="list-style-type: none"> Increase parents' knowledge and involvement in preparing children for school 	<ul style="list-style-type: none"> 90.1% of parents felt they had sufficient information and support for their child to attend Kindergarten at the end of services, compared to 82.6% at the beginning of services

Commission-Funded Grantees' Intake and Exit Surveys

Commission-funded grantees collect client-level information on participating children and their families who consent to share information. This information is collected at the beginning of services and again at the end of services. In fiscal year 2014/15, there were 7,454 intake surveys completed and 8,094 exit surveys completed.¹

Marital Status

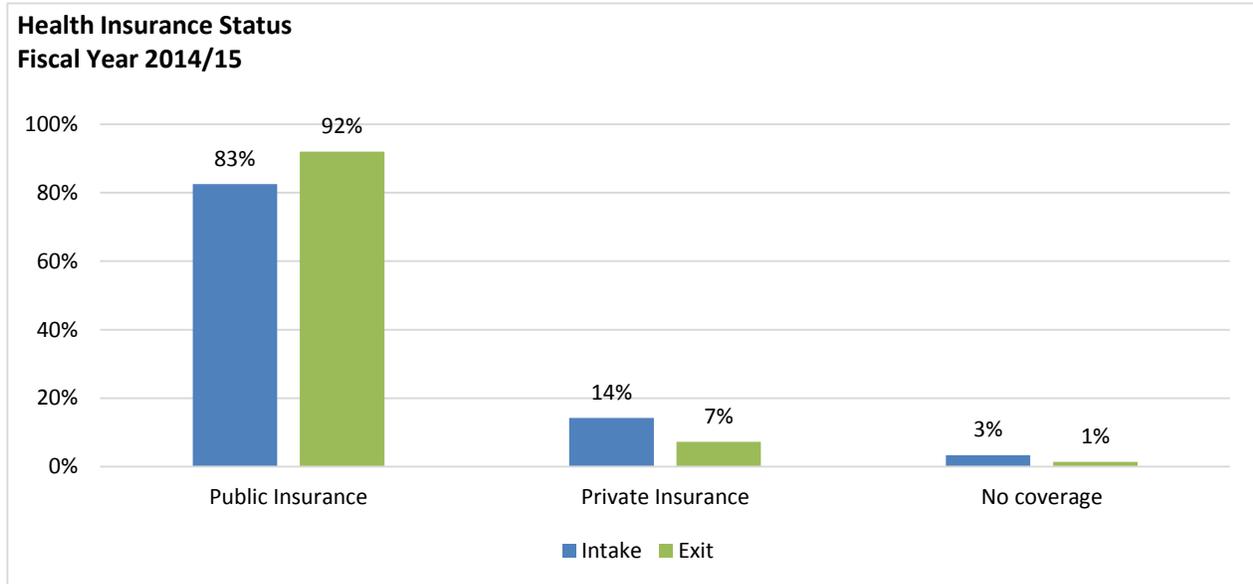
Fully 58% of the children whose families completed an intake survey lived in a household where the caregivers were married or in a legal domestic partnership. Less than one-quarter (23%) of the children were in a single parent household, and another 17% were in a household where caregivers were cohabitating but not married or in a domestic partnership. There were 2% living in a household where the marital status was “other”.



¹ Intake and Exit surveys include those entered into the Commission's evaluation data system as well as into Bridges Connect.

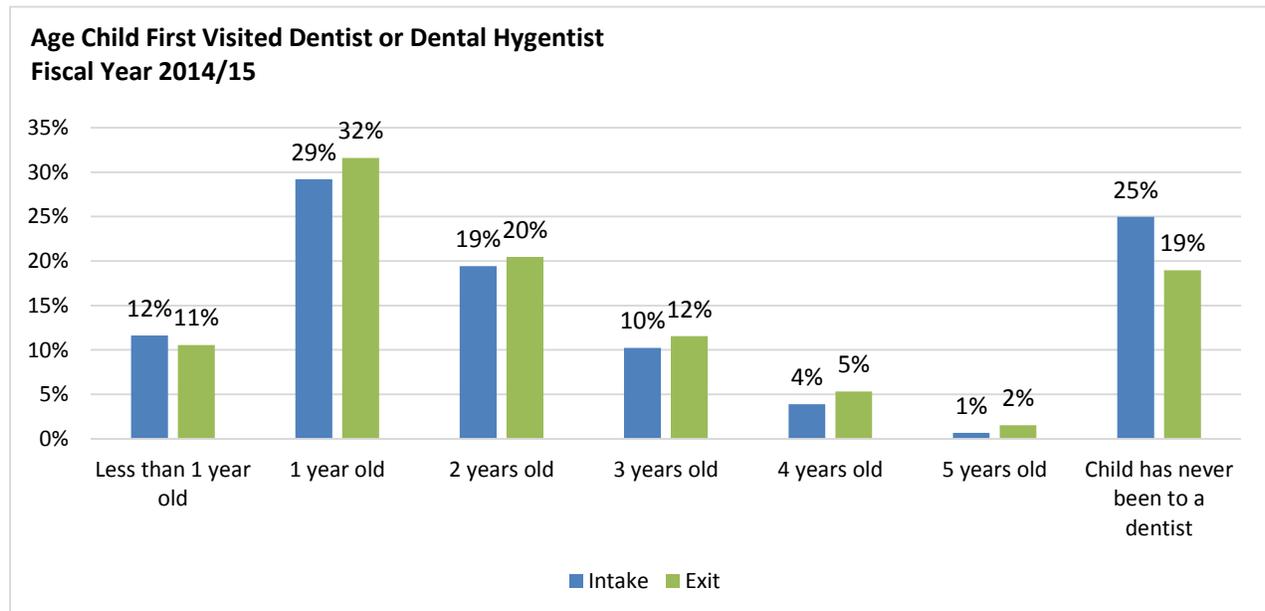
Health Insurance

There were fewer children who were uninsured at exit (1%) than at intake (3%). There were fewer children covered through private insurance at exit (7%) than at intake (14%); but more covered through public insurance at exit (92%) than at intake (83%).



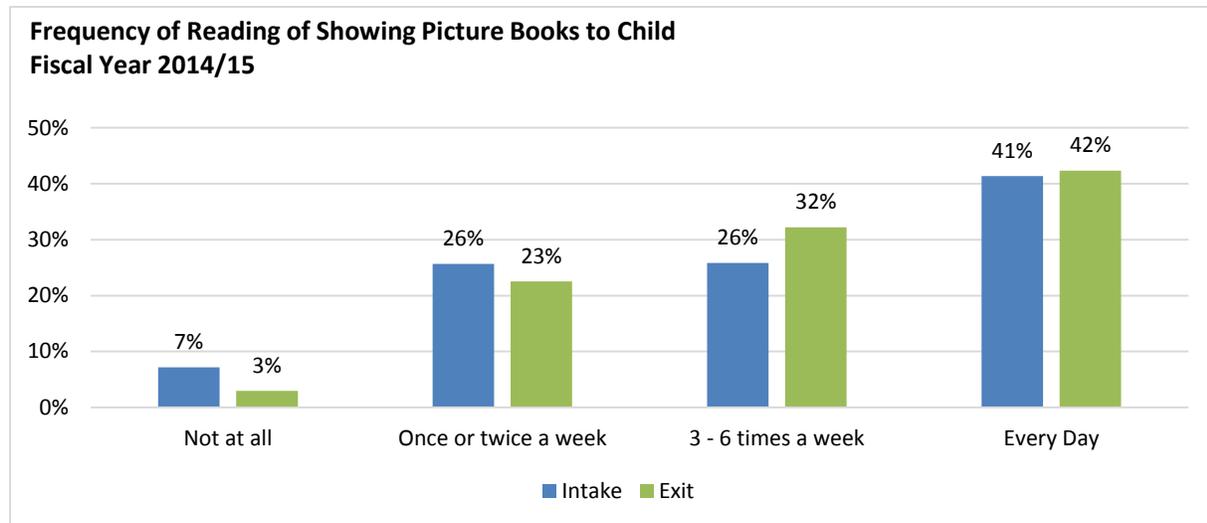
Dental Care

At completion of Commission-funded services, fewer children had never been to a dentist (19%) compared to at the beginning of receiving services (25%).



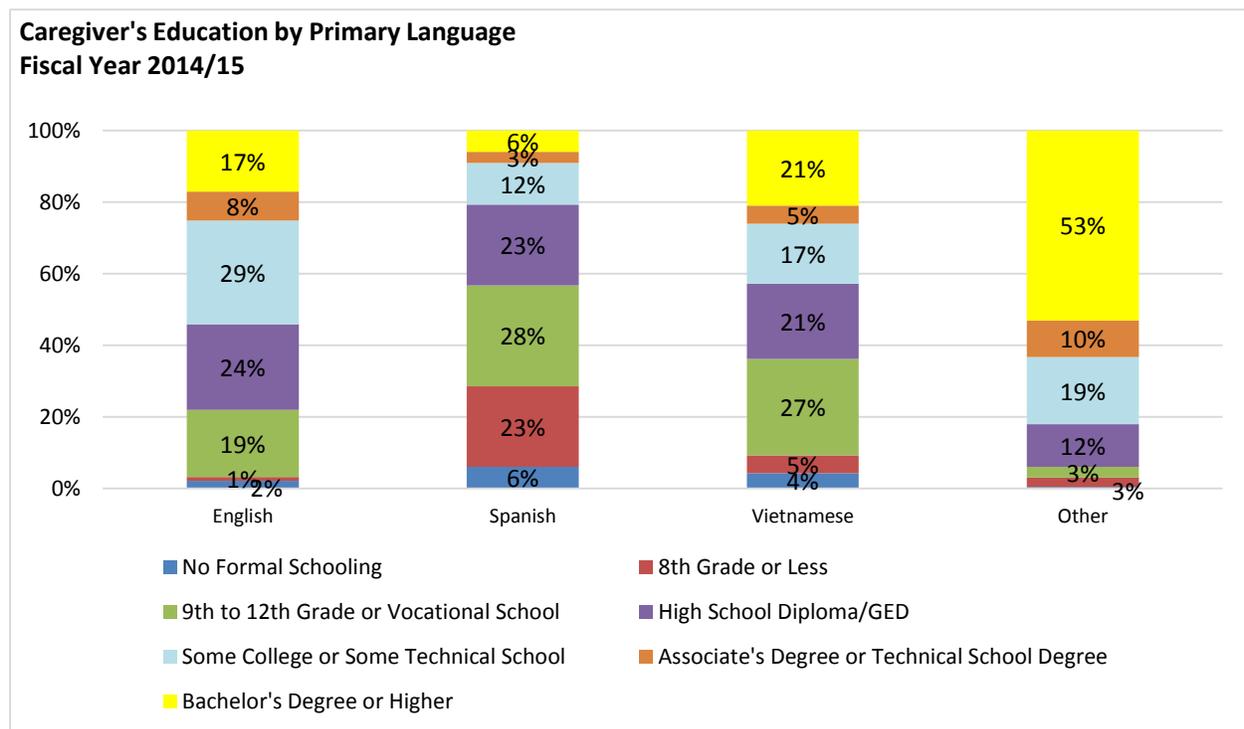
Frequency of Reading to Child

More families were reading to their children 3-6 times a week or daily at exit than at intake. In addition, at exit, only 3% of families indicated that they did not read to their child (compared with 7% at intake).



Education and Primary Language

Caregivers whose primary language was “Other” (e.g., Farsi, Korean, etc.) represented the highest percentage of college graduates, with those speaking Vietnamese having the second highest percentage with a college degree (21%). Only 6% of the caregivers who speak Spanish as a primary language had a Bachelor’s degree or higher.



Children and Families Commission of Orange County FY 15/16 Amended Budget

	<u>Beginning FY 15/16 Budget</u>	<u>Carryover</u>	<u>Amendments</u>	<u>Amended FY 15/16 Budget</u>
<u>FINANCING</u>				
Prop 10 Tax Allocations	24,284,600		686,138	24,970,738
Other Revenues	3,270,462			3,270,462
	\$ 27,555,062	\$ -	\$ 686,138	\$ 28,241,200
<u>PROGRAM SERVICES</u>				
Healthy Children	13,710,641	305,900	40,000	14,056,541
Strong Families	2,115,165	0	0	2,115,165
Early Learning	7,156,024	15,500	0	7,171,524
Capacity Building	2,763,943	59,345	24,000	2,847,288
Round 2 Catalytic Funding	1,987,500	0	0	1,987,500
Total Program	\$ 27,733,273	\$ 380,745	\$ 64,000	\$ 28,178,018
Administrative Functions	\$ 2,481,556	\$ 10,000	\$ -	\$ 2,491,556
Total Annual Operating Budget	\$ 30,214,829	\$ 390,745	\$ 64,000	\$ 30,669,574
Admin. % of Budget	8.21%			8.12%
Round 1 Catalytic Funding	\$ 4,117,968	\$ -	\$ -	\$ 4,117,968

**Children and Families Commission of Orange County
FY 2015/16 Amended Budget Line Item Detail**

Budget Category	Budget Item	Carryover	Amendment	
Bridges: Maternal Child Health Network	Bridges Network Management Optimization - Jacqueline Tran C-297 and Margarita McCulloughC-298	35,900		Carryover of 14/15 funds
Pediatric Health Services	Health Funders Partnership - UniHealth		5,000	Unspent Admin 14/15 funds
Pediatric Health Services	Medi-Cal Managed Care Organizatons Project		10,000	Unspent Admin 14/15 funds
Pediatric Health Services	Mental Health Consultant		25,000	Unspent Admin 14/15 funds
Pediatric Health Services	Pediatric Loan	270,000		Carryover of 14/15 funds
Early Learning Countywide Programs	Orange County Department of Education - FCI-SD2-26	15,500		Carryover of 14/15 funds
AmeriCorps/ VISTA	Prevent Child Abuse California, FCI-V1-06	16,345		Carryover of 14/15 funds
Evaluation and Reporting	Request for Response for the Prevention and Early Intervention Program Evaluation		25,000	Transfer 15/16 funds
Evaluation and Reporting	Evaluation Extra Help staffing		24,000	Unspent Admin 14/15 funds
Evaluation and Reporting	Orange County Health Improvement Partnership	13,000		Unspent Evaluation 14/15 funds
Capacity Building Grants & Matching Funds	Set-aside to mitigate funding renewal reductions		(25,000)	Transfer 15/16 funds
Capacity Building Support & Fund Development	The Olin Group, Inc. - C-284	30,000		Carryover of 14/15 funds
Strategic Communications	Cornerstone Communications, Inc., C-312	10,000		Carryover of 14/15 funds
Total Carryover and Amendments		\$390,745	\$64,000	

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

RESOLUTION NO. ___-14-C&FC

October 7, 2015

A RESOLUTION OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY ADOPTING THE AMENDED FISCAL YEAR 2015-16 OPERATING BUDGET

WHEREAS, at its meeting of May 6, 2015, the Commission conducted a public hearing and reviewed and adopted the following documents prepared and recommended by staff and identified in the staff report for the May 6, 2015 Commission meeting: The Strategic Plan, the Annual Operating Budget for the Fiscal Year 2015-16, and the Business Plan for Fiscal Year 2015-16 including the Administrative Budget; and

WHEREAS, at its meeting of October 7, 2015, the Commission reviewed and adopted an Amended Annual Operating Budget for the Fiscal Year 2015-16 prepared and recommended by staff and identified in the staff report for the October 7, 2015 Commission meeting as Attachment 3.

NOW, THEREFORE BE IT RESOLVED BY THE COMMISSIONERS OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY AS FOLLOWS:

Section 1 The Commission finds and determines the foregoing Recitals are true and correct and are a substantive part of this Resolution.

Section 2 The Commission hereby adopts the Amended Annual Operating Budget for Fiscal Year 2015-16.

Section 3 Notwithstanding the approval of the amended budget, no expenditures from the line item categories for grant funding for Program Services (or any subcategory within such categories) is authorized or may be approved except by subsequent action of the Board of Commissioners; no category is required to be funded at any particular level; no grant funding decisions for individual applicants or types of applicant will be made except in connection with specific grant processes, and no ceiling or floor for such categories is established by this budget.

Section 4 Approval by the Board of Commissioners is required to increase or decrease the existing total amount of budgeted appropriations, revenues, and/or reserves as adopted by the Board of Commissioners. The Executive Director, or designee, is authorized to transfer existing budgeted appropriations mid-fiscal year between existing budget categories and accounts in order to pay for required operating expenses. In accordance with the Commission's Budgetary Control policy, the Commission renews its delegation of authority to approve budgetary transfers to the Executive Director for Fiscal Year 2015-16.

Section 5 The Clerk of the Commission shall append to this Resolution a copy of the Amended Annual Operating Budget for Fiscal Year 2015-16, identifying it as Exhibit A which shall correspond to Attachment 3 of the October 7, 2015 staff report. By this reference such exhibit is incorporated as though fully set forth herein.

Section 6 **Severability.** If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this Resolution or any part thereof is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this resolution or any part thereof. The Commission Board hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one (1) or more subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional, or invalid, or ineffective.

Section 7 The Clerk of the Commission shall certify to the adoption of this Resolution.

The foregoing resolution was passed and adopted by the following vote of the Children and Families Commission of Orange County on October 7, 2015 to wit:

AYES Commissioner(s): _____

NOES Commissioner(s): _____

EXCUSED Commissioner(s): _____

ABSTAINED Commissioner(s): _____

CHAIR

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

I, ROBIN STIELER, Interim Clerk of the Commission of Orange County, California, hereby certify that a copy of this document has been delivered to the Chair of the Commission and that the above and foregoing Resolution was duly and regularly adopted by the Children and Families Commission of Orange County.

IN WITNESS WHEREOF, I have hereto set my hand and seal.

ROBIN STIELER
Interim Clerk of the Commission, Children and Families Commission
of Orange County, County of Orange, State of California

Resolution No: __-15-C&FC

Agenda Date: October 7, 2015

Item No. __



I certify that the foregoing is a true and correct copy of the Resolution adopted by the

ROBIN STIELER, Interim Clerk of the Commission

By: _____
Deputy

EXHIBIT A TO RESOLUTION OF COMMISSION
AMENDED ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2015-16
(attached)



To the Board of Commissioners
Children and Families Commission of Orange County

We have audited the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB 68*, effective July 1, 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 15 of the financial statements. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

Management's estimate of the:

- Liabilities owed to grantees included in accounts payable and due to other governments are based on historical expenditures and provisions of the contract term.
- Amounts related to the net pension liability, related deferred inflows of resources and deferred outflows of resources, and disclosures are based on actuarial valuations and a proportionate share of the Orange County Employees Retirement System (OCERS) collective net pension liability.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Commission's defined benefit pension plan, net pension liability and related deferred inflows of resources and deferred outflows of resources in Note 8 to the financial statements. The valuation of the net pension liability and related deferred outflows (inflows) of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate, and the Commission's proportionate share of the Plan's collective net pension liability. As disclosed in Note 8, a 1% increase or decrease in the discount rate has a material effect on the Commission's net pension liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of the net pension liability and schedule of Commission contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of First 5 California funding (supplementary information), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of the Children and Families Commission of Orange County and is not intended to be, and should not be, used by anyone other than these specified parties.

Varrinich, Train, Dwyer & Co., LLP

Laguna Hills, California
October 5, 2015



**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY**
(a Component Unit of the
County of Orange, California)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Prepared by:

Michael Garcell, CPA

Finance Manager

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2015**

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October 7, 2015

Board of Commissioners
Children and Families Commission of Orange County
1505 East 17th Street, Suite 230
Santa Ana, CA 92705

Dear Commissioners,

The Comprehensive Annual Financial Report (CAFR) of the Children and Families Commission of Orange County (the Commission) is hereby submitted. This report contains financial statements that have been prepared in conformity with United States Generally Accepted Accounting Principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner that presents fairly the financial position and changes to the financial position of the Children and Families Commission of Orange County. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The CAFR has been audited by the independent certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the Commission for the year ended June 30, 2015, are free of material misstatement. The independent certified public accounting firm has issued an unmodified ("clean") opinion on the Commission's financial statements as of and for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

This letter of transmittal is designed to complement and should be read in conjunction with the Management's Discussion and Analysis (MD&A) that immediately follows the independent auditors' report. The MD&A provides a narrative introduction, overview, and an analysis of the basic financial statements.

Profile of the Commission

The Commission was established by the Orange County Board of Supervisors in September 1999 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development. The Commission's activities have been built to develop, adopt, promote and implement programs to support early childhood development. Since inception, the Commission has made a lasting positive impact in Orange County through its expenditures of almost \$680 million toward grants, programs and operations that improve the well-being of young children and families in Orange County support the Commission's vision of every child "healthy and ready to learn".

Relevant Financial Policies

Financial Plan

In November 2013, the Children and Families Commission reviewed the updated Long Term Financial Plan (LTFP). The LTFP, which is reviewed annually to incorporate the prior year-end financials as well as updated revenue projections, continues to anticipate annual decreases in Proposition 10 tobacco tax collections. Since its peak in 2000, the Commission has had an overall reduction of over 45% in revenue, and tobacco revenue is projected to continue to decline at a rate of 3% to 4% annually. Given this decline, the Commission directed staff to develop three-year funding renewal recommendations. The first year of the three-year funding renewals was FY 2014-15.

Under the direction of Commissioner-led panels, staff developed funding renewal recommendations which were presented and approved by the Commission at their February 2014 meeting. Collectively, the reductions total \$5.9 million over three years (FY 2014/15 to FY 2016/17) and by implementing these reductions the Commission is building a sustainable funding framework for the future. The proposed funding plan reset the baseline of Commission funding for the long term and achieved the following:

- Brought annual program funding levels closer in line with projected annual revenue
- Adhered to the Commission fiscal policy guidelines of maintaining a 25% reserve against the annual operating budget and limits administrative expenses to less than 10%
- Provided level program funding for the projected planning horizon (through FY 2023/24), assuming actual revenue is realized as planned.

Strategic Plan

At the June 2013 planning meeting, Commissioners directed staff to use the 15-year anniversary of the passage of Proposition 10 to consider the Commission's future direction. The anniversary provided an opportunity to celebrate achievements in improving the lives of young children in Orange County.

As a first step in this process, staff conducted a review of the core elements of the Strategic Plan to assess alignment with priorities and strategies articulated by the Commission. The proposed changes to the Strategic Plan focused on using consistent terminology in all elements, aligning the language with terms that the Commission currently uses, and concisely stating the Commission's priorities. The Plan revisions were approved by the Commission in October 2013 and reviewed in April 2014.

As Proposition 10 revenues continue to decline, achieving the mission requires the Commission to be increasingly innovative and creative in working with community partners and other funders to develop sustainable services. This is not a new role, but a relatively larger emphasis as the Commission looks ahead. This focus is reflected in the Commission's catalytic investment strategies that are helping to develop resources to better leverage regional, state and national funders as well as bringing additional state and federal dollars to Orange County.

The Commission has increasingly led and initiated efforts to integrate, mobilize and expand services to build a system of prevention and early intervention services for young children and their families. Recent examples include expanding access to developmental screenings, vision services and

currently working with homeless shelter providers and other community partners to develop a coordinated data entry and intake system to streamline the process of connecting families with emergency and transitional shelters.

Looking ahead, the Commission will place even greater emphasis on its role as a catalyst for “spreading what works” at the policy, program and system levels to develop, scalable, sustainable solutions for young children. The Commission’s catalytic funding portfolio includes a project specifically focused on strengthening the Commission and its partners’ capacity to leverage regional, state and national funding.

The Commission has several key advantages in its role in developing local system solutions, leveraging new investments, and informing early child policy development:

- Successful track record of convening community-based agencies to develop countywide solutions to positively impact young children (oral health, Bridges Maternal Child Health Network, vision services, etc.)
- Recognition as an independent analyst and convener of community resources that can be leveraged to address community services (homeless services, prevention services).
- Commitment to continuously improving the system of care through gathering, assessing, and monitoring key data as it relates to children’s outcomes. The Commission has 15 years of program data from services funded as well as actively supporting ongoing and new data efforts, such as the Early Developmental Index (EDI). The EDI provides a developmental assessment of a child’s readiness to enter school at a community level.
- Efficient infrastructure that can be relied upon for contract development, program evaluation and monitoring.

Other Financial Information

Internal Control

The management of the Commission is responsible for establishing and maintaining internal controls designed to ensure that the assets of the public entity are protected from loss, theft, or misuse. Management is also responsible for ensuring that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The objective of budgetary control is to ensure that spending is limited to the total amount authorized by the Board of Commissioners. The initial budget for fiscal year 2014-2015 was adopted on April 2, 2014 with subsequent adjustments approved on October 1, 2014 and May 6, 2015. The Executive Director has the discretion to adjust the budget as defined within the budget policy of the Board of Commissioners. Monthly financial highlights are provided to the Board of Commissioners.

Risk Management

The Commission manages its risk exposure in part through the purchase of Workers Compensation, Property, General Liability, Auto, Crime and Directors and Officers insurance through the County of Orange.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the third consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Commission must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United State of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that the current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my sincere appreciation to Commission staff and the staff of the certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. I hope this report will be of interest and use to those in the County of Orange, other governmental agencies, and the public interested in the financial activity of the Commission.

Sincerely,



Christina Altmayer
Executive Director

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
BOARD OF COMMISSIONERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

COMMISSION BOARD MEMBERS (9)

Maria E. Minon, M.D. (A)
Chair

Hugh Hewitt (A)
Vice Chair

Sandra Barry (A)
Chair Pro-tem

Katherine Ahn, DDS (A)

Kimberly Cripe (A)

Sandra Pierce (A)

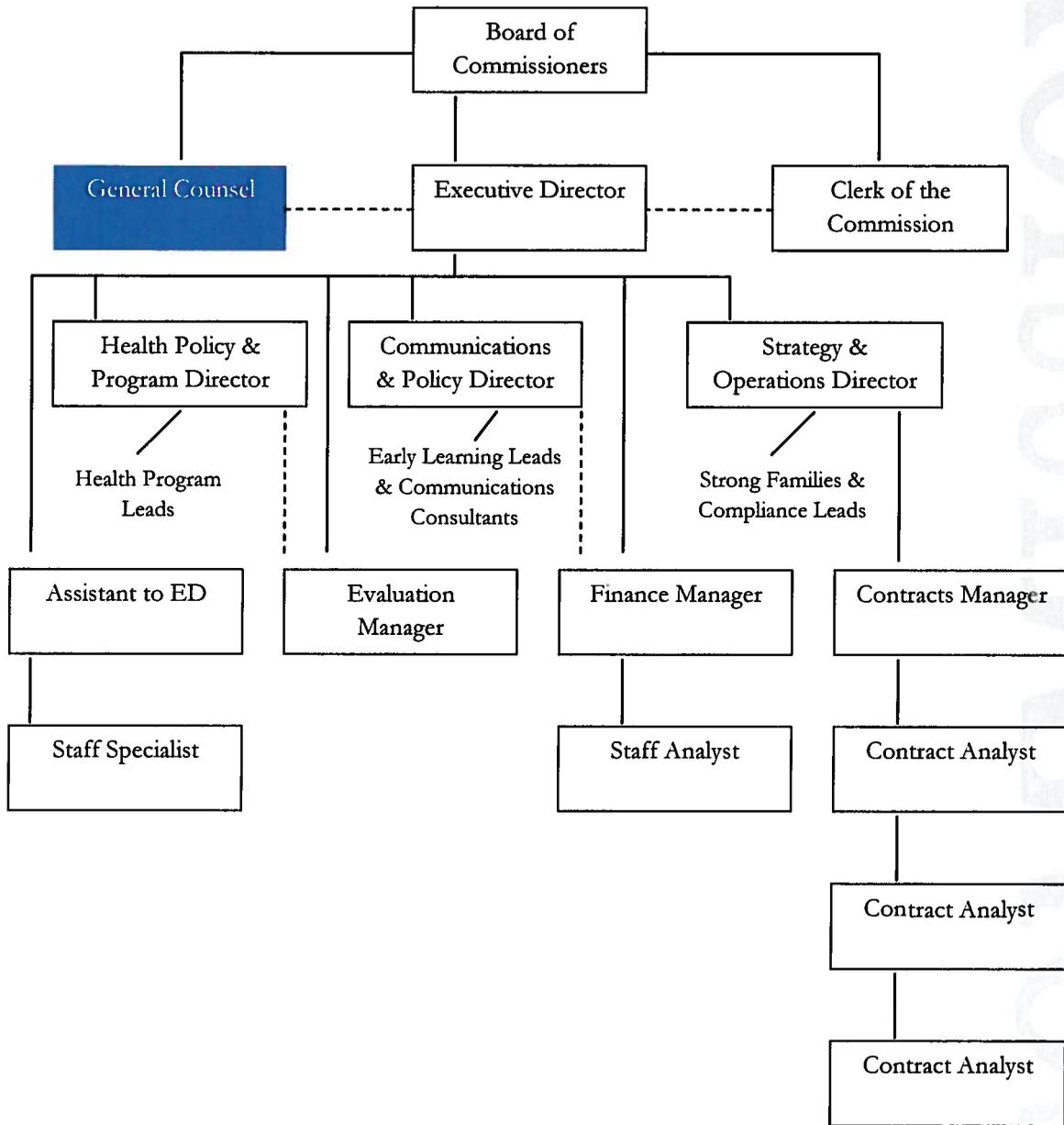
Mark Refowitz (M)
Health Care Agency

Michael F. Ryan (M)
Social Services Agency

Michelle Steele (M)
Board of Supervisors

(M) Mandatory members
(A) At-large members

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
ORGANIZATION CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Children and Families
Commission of Orange County
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Children and Families Commission of Orange County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the general fund 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) Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and schedule of Commission contributions on pages 4 – 16, 43 and 44, 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 introductory section, schedule of CARES Plus funding, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of CARES Plus funding 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 schedule of CARES Plus funding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015, 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 that 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.

Vannich Train, Dug & Co., LLP

Laguna Hills, California

October 5, 2015

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

As management of the Children and Families Commission of Orange County (Commission), we offer readers of the Commission's Comprehensive Annual Financial Report this overview and analysis of the financial activities for the fiscal year ended June 30, 2015. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Commission as reported on the Statement of Net Position exceeded its liabilities and deferred inflows of resources by \$54.5 million at the end of the current fiscal year, a decrease of \$10.2 million (15.8%) from the prior fiscal year after adjusting for the implementation of the Governmental Accounting Standards Board Statement No. 68. The decrease is primarily due to Round 1 and 2 Catalytic expenditures above the Commission's annual program budget.
- As of June 30, 2015, the Commission's governmental fund statements reported an ending fund balance totaling \$55 million, a decrease of \$6.7 million (10.8%) from the prior fiscal year.
- Consistent with the implementation of GASB 54, the total ending fund balance of \$55 million was classified into the appropriate categories. The Commission's breakdown is as follows: \$9.3 million as non-spendable, \$30.1 million as committed, and \$15.6 million as assigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This comprehensive annual financial report consists of two parts, this management's discussion and analysis and the basic financial statements, including government-wide financial statements, governmental fund financial statements and notes to the basic financial statements. The Commission's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), 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 and activities. These statements are prepared using the full accrual basis of accounting and a total economic resource measurement focus, in order to provide both long-term and short-term information about the Commission's overall financial status. A detailed definition of these methods is described in Note 1 of the basic financial statements.

The *Statement of Net Position* presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the Commission is improving or declining.

The *Statement of Activities* presents changes in the Commission's net position during the 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., uncollected taxes and earned but unused vacation leave, net pension liability).

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related and legal requirements. All of the Commission's activities are accounted for in the general fund.

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 year*. Such information may be useful in evaluating the Commission's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Commission's near-term financial decisions. Reconciliations are presented for the Balance Sheet of governmental funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to facilitate comparison between governmental funds and governmental activities.

Governmental Fund Financial Statements are prepared on a modified accrual basis, which means that they measure only current financial resources and uses. Capital assets and long-term liabilities are not presented in the Governmental Fund Financial Statements, as they do not represent current available resources or obligations. The Commission adopts an annual appropriated budget for the general fund. A budgetary comparison statement for the general fund is presented in the basic financial statements to demonstrate compliance with the adopted budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

ANALYSIS OF THE COMMISSION'S GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, net position was \$54.5 million at the end of the current fiscal year, a 15.85% decrease from the prior fiscal year and includes the implementation of Governmental Accounting Standards Board Statement No. 68. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2015 and June 30, 2014.

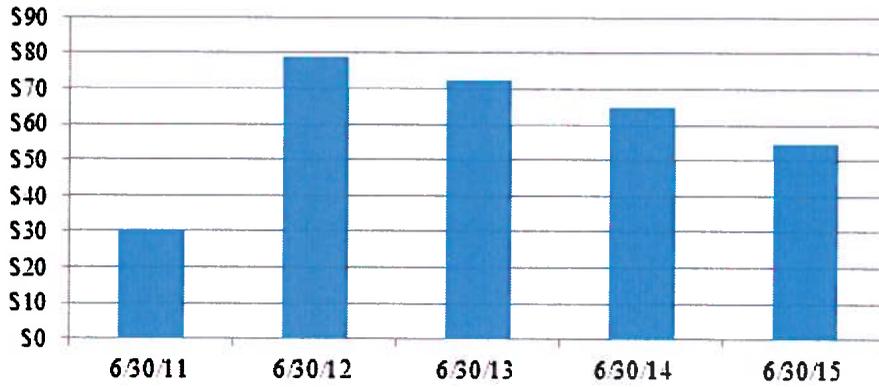
The Commission's net position as of June 30, 2015 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

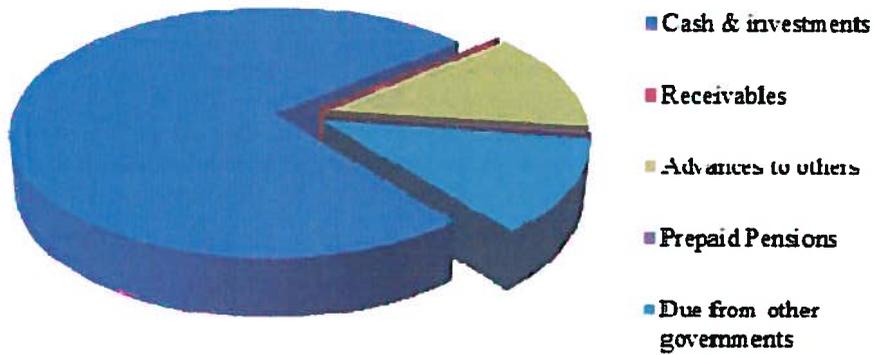
	FY 2014-15	FY 2013-14	Percent Increase (Decrease)
Assets:			
Cash and investments	\$51,804,019	\$57,491,881	-9.9%
Imprest cash	10,000	10,000	
Interest receivable	23,026	19,262	19.5%
Due from County of Orange	16,814	10,213	64.6%
Due from other governments	8,385,214	8,203,601	2.2%
Prepaid pensions	156,417	282,162	-44.6%
Advances to others	9,027,458	10,500,000	-14.0%
Total assets	<u>\$69,422,948</u>	<u>\$76,517,119</u>	-9.2%
Deferred Outflows of Resources:			
Pensions	521,771	-	100.0%
Total deferred outflows of resources	<u>521,771</u>	<u>-</u>	100.0%
Liabilities:			
Accounts payable and accrues liabilities	\$4,232,085	\$4,873,567	-13.2%
Due to County of Orange	9,413	12,390	-24%
Due to other governments	4,396,008	4,673,268	-5.9%
Retentions payable	1,913,859	2,089,548	-8.4%
Accrued wages and benefits	83,187	74,232	12.1%
Compensated absences:			
Payable within one year	67,250	74,971	-10.3 %
Payable after one year	30,823	28,608	7.7%
Net Pension Liability	3,957,426	-	100.0%
Total liabilities	<u>14,690,051</u>	<u>11,826,584</u>	24.2%
Deferred Inflows of Resources:			
Pensions	782,961	-	100.0%
Total deferred inflows of resources	<u>782,961</u>	<u>-</u>	100.0%
Net Position:			
Unrestricted	54,471,707	64,690,535	-15.8%
Total net position	<u>\$54,471,707</u>	<u>\$64,690,535</u>	-15.8%

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015

Net Position
Comparison of Last Five Fiscal Years
(**\$ in millions**)



Assets
As of June 30, 2015



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

Assets, Current and Other

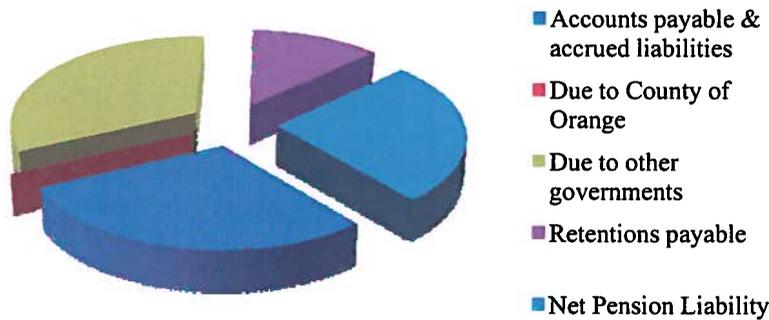
- Cash and investments totaled \$51.8 million. All of the \$51.8 million was invested in the Orange County Investment Pool (OCIP), except for a small petty cash fund held at the Commission. The investments in OCIP are managed by the County Treasurer and reviewed for compliance with the Commission's Annual Investment Policy. Cash and investments decreased by 9.9% due to the payments made for Catalytic Round 1 and 2 programs.
- Due from other governments totaled \$8.4 million. Of this amount, \$4.3 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2015 allocations and \$4 million for First 5 California program revenue for the CARES Plus, Child Signature Program RFA#2, and Child Signature Program RFA#3 programs. First 5 California program revenues of approximately \$3 million were not received within the Commission's period of availability and, as such, are recorded as deferred inflows on the Governmental Fund Balance Sheet.
- Advances to others totaled \$9 million represents funds advanced or transferred to contractors for services not provided by June 30, 2015. \$5.3 million was transferred for Emergency Shelter Catalytic programs and \$3.5 million is remaining for Early Literacy and Math programs.
- Other current assets consist of \$0.02 million in interest and \$0.16 million in Prepaid Pensions.

Deferred Outflows of Resources

- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System. As a participant, the Commission is required to report its proportionate share of deferred outflows of resources related to pensions.
- All commission contributions (not including the amounts recorded in prepaid pension, since these amounts will be reflected in the December 31, 2015 measurement) \$350,417 including early payments, made subsequent to the measurement date (December 31, 2014) of the collective net pension liability are required to be reported as deferred outflows of resources related to pensions. FY 2014-15 is the first year Governmental Accounting Standards Board Statement No. 68 requires deferred outflows of resources related to pensions be recognized in the Commission financial statements. Deferred outflows of resources also include \$171,354 for the net differences between projected and actual earnings on pension plan over the measurement period ending December 31, 2014.
- Note 8 to the Commission financial statements provides further detail of all deferred outflows of resources recognized in FY 2014-15.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

**Liabilities
As of June 30, 2015**



Liabilities

- Accounts payable and due to other governments totaling \$8.6 million. Payables to grantees for services not yet billed at June 30, 2015 are based on established contract terms.
- Retentions payable totaling \$1.9 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.
- Other current liabilities totaling \$0.2 million consisting of amounts due to the County of Orange and accrued wages, benefits and compensated absences.
- Net Pension Liability of \$3.96 million is reported for the first time in FY 2014-15 as a result of the implementation of GASB 68.

Deferred Inflows of Resources

- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System. As a participant, the Commission is required to report its proportionate share of deferred inflows of resources related to pensions.
- FY 2014-15 is the first year Governmental Accounting Standards Board Statement No. 68 requires deferred inflows of resources related to pensions be recognized in the Commission financial statements. Total deferred inflows of resources of \$782,961 are the results of differences between expected and actual experience, changes of assumptions, and changes in the Commission's proportionate share occurring over the measurement period ending December 31, 2014.
- Note 8 to the Commission financial statements provides further detail of all deferred inflows of resources recognized in FY 2014-15.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

Changes in Net Position

For the year ended June 30, 2015, current year operations decreased the Commission's net position by \$5.9 million. The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

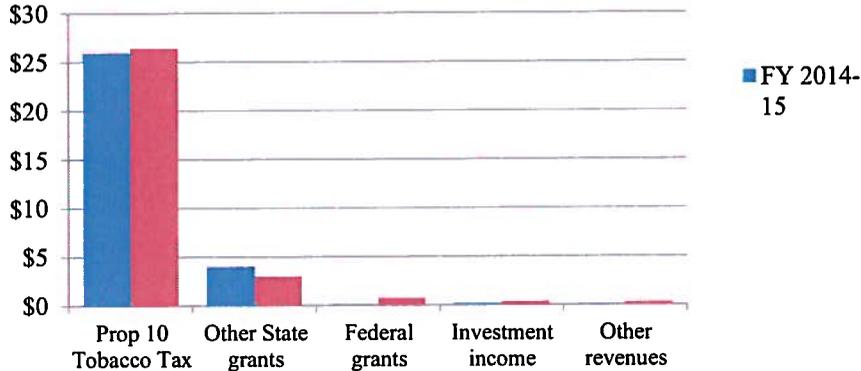
	FY 2014-15	FY 2013-14	Percent Increase (Decrease)
Revenues:			
Program Revenues			
Tobacco taxes	\$25,943,624	\$26,395,725	-1.71%
Other State operating grants and contributions	4,039,836	3,165,906	27.60%
Interest income earned on tobacco taxes at the State	8,082	7,071	14.30%
Federal operating grants and other contributions	146,579	724,612	-79.77%
Total program revenues	<u>30,138,121</u>	<u>30,293,314</u>	-0.51%
General Revenues			
Investment income	206,029	349,366	-41.03%
Other revenues	151,086	56,520	167.31%
Total general revenues	<u>357,115</u>	<u>405,886</u>	-12.02%
Total revenues	<u>30,495,236</u>	<u>30,699,200</u>	-0.66%
Expenses:			
0-5 Child development programs	34,608,366	36,672,235	-5.63%
Salaries and benefits	1,689,772	1,747,564	-4.77%
Total expenses	<u>36,298,138</u>	<u>38,419,799</u>	-5.16%
Change in net position:			
	<u>(5,802,902)</u>	<u>(7,720,599)</u>	
Net position – July 1 (as restated)	60,274,609	72,411,134	-16.76%
Net position – June 30	<u>\$54,471,707</u>	<u>\$64,690,535</u>	-15.8%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

Total revenues

The Commission's total revenues are comprised of both program revenues, which are restricted to one or more specific program uses, and general revenues.

**Total Revenues
Comparison of Current and Prior Fiscal Year
(\$ in millions)**

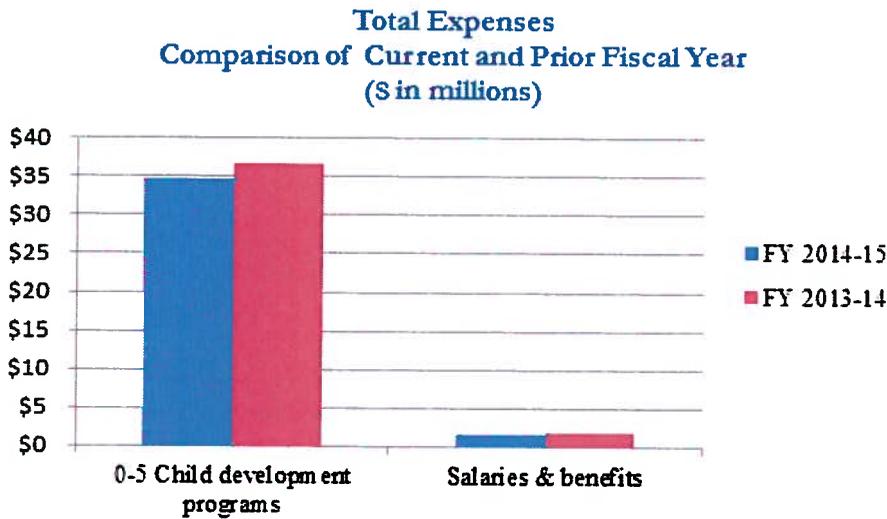


- *Program revenues*
The Commission's program revenues totaled \$30.1 million in FY 2014-15 and accounted for 98.8% of total revenues. This represented a decrease of \$.16 million (-.5%) from FY 2013-14 program revenues.
 - Tobacco Tax revenue includes revenues from taxes levied on tobacco products by the State of California and distributed amongst all counties based on the percentage of county birthrates as established in Proposition 10. This revenue decreased by \$.45 million (-1.7%) from the prior fiscal year.
 - The California Children and Families Commission (First 5 California) forecasted a decline of 7% each fiscal year in the tobacco tax revenue allocation models. These models are calculated using birthrate data and tobacco sales and usage provided by the California Department of Finance.
 - Other State operating grants and contributions includes revenue from the state-wide CARES Plus grant, Child Signature Program RFA#2, and Child Signature Program RFA#3.
 - Federal operating grants includes revenues from the federal AmeriCorps VISTA. The decrease in federal revenues is due the AmeriCorps VISTA program ramping down in FY 2014-15 and ending in FY 2015-16. The recognition of Medical Administrative Activities revenues will occur in FY 2015-16 when the related federal claims have been finalized.
- *General revenues*
The Commission's general revenues totaled \$0.36 million in FY 2014-15 and accounted for 1.2% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenues.
 - Investment income decreased by \$0.14 million from the prior fiscal year. The decrease in investment income from the Orange County Investment Pool (OCIP), which is administered by the County Treasurer, is due to the overall returns in the fixed income markets combined with the fair value adjustments posted for the Commission's proportionate share in the county investment pool at year end.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

Governmental Activities Expenses

Total expenses decreased by \$2.1 million (-5.52%) from the prior fiscal year. The decrease is due to reduced program and operating spending as planned for in the long-term financial plan. \$6.4 million in Catalytic funding was expensed during the fiscal year. FY 2014-15 was the third year for Round 1 and 2 Catalytic funding. Nearly \$3.6 million was expensed in FY 2014-15 for the second year of First 5 Child Signature Program and CARES Plus Round 2 programs. Other zero-to-five child development programs totaling \$24.2 million decreased by \$3 million or 11%.



- Zero-to-five child development programs decreased by \$2.1 million (5.63%) from the prior fiscal year to fund programs serving children and families within the Commission's four strategic goal areas of Healthy Children, Ready to Learn, Strong Families and Capacity Building. Reduced program spending is a component of the Commission's long-term financial plan. Prop 10 tobacco tax revenue has been and will continue as a declining revenues source. To focus on sustainability and service delivery while allowing for decreased revenue, the long-term financial plan incorporates a step-down approach to annual program funding over the next ten years.
- Salaries and benefits decreased by \$.058 million (-3.31%) from the prior fiscal year due to vacant staff positions.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND STATEMENTS

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

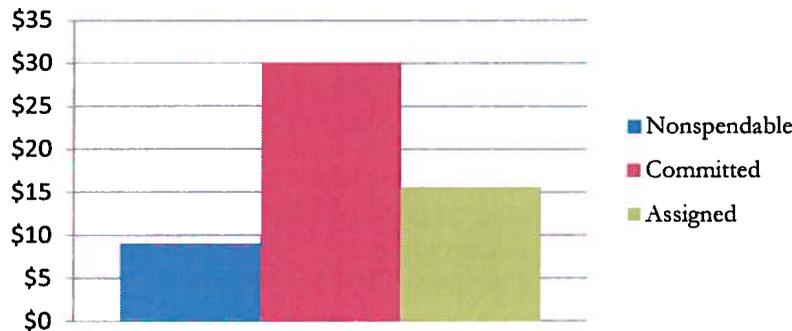
Governmental Funds

The activities are contained in the general fund of the Commission. The focus of 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, fund balance may serve as a useful measure of a government's net resources, both committed and available for future operational needs.

As of the end of the current fiscal year, the Commission's general fund reported total ending fund balance of \$55 million, a decrease of \$6.7 million (10.82%) in comparison with the prior fiscal year.

Total fund balance decreased due to the third year of funding for Catalytic programs in the amount of \$5.9 million. The remaining decrease was fund balance used to bridge the gap between current year revenue and expenditures as planned for in the Commission's financial plan.

**Fund Balance Classifications
As of June 30, 2015
(\$ in millions)**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

General Fund Budgetary Highlights

Budget Amendments

The budget amendments are approved during each fiscal year for the General Fund in order to reflect the most current revenue trends and to account for shifts in funding objectives.

- Total budgeted revenues were increased by \$.54 million. The amendments were based on projected receipts of AmeriCorps VISTA program reimbursements and other program revenue for various projects.
 - Other operating revenue - increase of \$.2 million was due to projected federal grant revenues for the AmeriCorps VISTA program, and an additional \$.1 million of revenue was added reimbursements from other participating program partners. The remaining increase was for partner funding for the Conditions of Children Report, Community Indicators Report, and the ACT Anaheim Collaborative.

- Total budgeted appropriations were increased by \$1.18 million in the 0-5 child development program expenditures line items not including amounts budgeted for Catalytic programs. The major components of the increase are summarized as follows:
 - Healthy Children - increase of \$.87 million for the carryover of prior year unspent funds. The majority of the carryover funds were for Community Clinics and Pediatric Health Services programs.
 - Strong Families - increase of \$7,500 for the Safe Sleep program contribution.
 - Early Learning - increase of \$0.1 million for the carryover over of prior year unspent funds and amendments in Early Learning programs. The increase was for EDI, project management, and Champions for Children's Literacy spending not included in the initial budget.
 - Capacity Building – increase of \$0.19 million for carryover of prior year unspent funds in Capacity Building Grants and the expenses to be reimbursed through the agreement with Orange County Social Services Agency for the Conditions of Children Report.
 - Catalytic Round 1 and 2 Program Funding was increased by \$8.2 million to estimate the amount of Catalytic expenses. Due to project and contract development and other planning issues, the timing of the recognition of expense can be difficult to predict. Each year staff estimates the amount of expenses in the amended budget, and the remaining Catalytic funds are budgeted for in the year the expense will be recognized.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

Budget to Actual Comparisons

This section contains an explanation of the significant differences between the Commission's Final Budget amounts and actual amounts recorded for revenues and expenditures for FY 2014-15 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were less than budgeted revenues in FY 2014-15 by \$1.2 million. Revenues from the First 5 programs were not received during the Commission's period of availability and have been recorded as deferred inflows. The unavailable revenue from the First 5 programs will be recognized on the Commission's FY 2015-16 fund financial statements.
- Total budgeted appropriations exceeded actual expenditures in FY 2014-15 by \$4.6 million largely due to the timing of Catalytic program implementations and funding and the unspent First 5 CA Child Signature Program funding.
 - 0-5 child development program expenditures were less than budgeted appropriations by \$2.6 million. The variance is due to unspent Child Signature Program of \$1.2 million and an accumulation of various programs under-spending and the timing of program cost recognition. Budgeted funding amounts for programs delayed or extended will be carried over into the following year's budget.
 - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.22 million due to vacant staff positions.
 - Catalytic expenditures were \$6.4 million compared to the final budget of \$8.2 million. FY 2014-15 was the third year Round 1 and 2 catalytic funds were disbursed. The total funding amount of approximately \$55 million was approved by the Commission as detailed below. Expenditures will be recognized as services are provided and deliverables met for each separate Catalytic program. At budget adoption, the timing of FY 2014-15 distributions and expense recognition were not known. Each Catalytic program has a unique scope and budget. Final payment terms are included in the contracts approved by the Commission for each Catalytic program. Remaining Catalytic funding will be carried forward into future year budgets as defined in the related Catalytic contract payment and deliverable schedules.

Commission Catalytic funding

Round 1:

Children's Dental Programs	\$20,000,000
Early Developmental Services / Autism Program	7,000,000
Year Around Emergency Shelter	7,000,000
Early Literacy and Math	5,000,000
Healthy Child Development	5,500,000
VISTA/AmeriCorps transition feasibility	<u>25,000</u>
	\$44,525,000

Round 2:

Capacity Building	\$3,250,000
Partnership for Children's Health	3,000,000
Prevention Services	500,000
Nutrition and Fitness	500,000
Pediatric Vision Services	1,500,000
Catalytic Matching Fund	<u>1,675,000</u>
	\$10,425,000

Subtotal	<u>\$54,950,000</u>
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**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The State Department of Finance projects a continuing decrease of tobacco revenue. The rate of decline is caused by both intended and unintended factors, which include federal legislation, state initiatives, First 5 California's education and outreach efforts, and comprehensive smoking cessation programs to reduce tobacco use. Demographic factors, specifically birthrates, also have an impact on the individual county allocations of the statewide tobacco revenue.

The Commission's financial plan will continue planned reductions in annual program funding to account for declining revenues while the financial plan does assume portions of fund balance will be used in future years to bridge some of the gap between needed services and projected revenue.

REQUESTS FOR FINANCIAL INFORMATION

This comprehensive annual financial report is intended to provide the public with an overview of the Commission's financial operations and condition for the fiscal year ended June 30, 2015. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Children & Families Commission of Orange County, 1505 East 17th Street, Suite 230, Santa Ana, California 92705.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments in County Treasury	\$ 51,804,019
Imprest cash	10,000
Interest receivable	23,026
Due from County of Orange	16,815
Due from other governments	8,385,214
Prepaid pensions	156,417
Advances to others	9,027,458
Total Assets	69,422,948
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pensions	521,771
Total deferred outflows of resources	521,771
LIABILITIES	
Accounts payable	4,232,085
Due to County of Orange	9,413
Due to other governments	4,396,008
Retentions payable	1,913,859
Accrued wages and benefits	83,187
Compensated absences:	
Payable within one year	67,250
Payable after one year	30,823
Net Pension liability	3,957,426
Total Liabilities	14,690,051
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pensions	782,961
Total deferred inflows of resources	782,961
NET POSITION	
Unrestricted	54,471,707
TOTAL NET POSITION	\$ 54,471,707

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Child development	\$ 36,298,138	\$ 30,138,121	\$ (6,160,017)
General Revenues:			
Investment income			206,029
Miscellaneous			151,086
Total General Revenues			357,115
Change in Net Position			(5,802,902)
Net Position, July 1 (as restated)			60,274,609
Net Position, June 30			\$ 54,471,707

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2015

	<u>General Fund</u>
ASSETS	
Cash and investments in County Treasury	\$ 51,804,019
Imprest cash	10,000
Interest receivable	23,026
Due from County of Orange	16,815
Due from other governments	8,385,214
Prepaid pensions	312,833
Advances to others	9,027,458
Total Assets	\$ 69,579,365
LIABILITIES	
Accounts payable	\$ 4,232,085
Due to County of Orange	9,413
Due to other governments	4,396,008
Retentions payable	1,913,859
Accrued wages and benefits	83,187
Total Liabilities	10,634,552
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - unavailable revenue	3,902,594
Total Deferred Inflows of Resources	3,902,594
FUND BALANCES	
Nonspendable fund balance	9,340,291
Committed fund balance	30,112,816
Assigned fund balance	15,589,112
Total Fund Balances	55,042,219
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 69,579,365

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund balances of governmental funds	\$	55,042,219
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Prepaid expense included as a deferred outflow on the accrual basis used in the government-wide statements		(156,417)
Deferred outflows of resources related to pensions		521,771
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported in the funds.		(4,055,499)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.		3,902,594
Deferred inflows of resources related to pensions		<u>(782,961)</u>
Net Position of governmental activities	\$	<u>54,471,707</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 GOVERNMENTAL FUND STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
REVENUES	
Prop 10 Tobacco Tax	\$ 25,943,624
Investment income earned on tobacco taxes at the State level	8,082
Other State operating grants and contributions	2,939,344
Federal operating grants	306,528
Investment income	206,029
Other revenue	264,805
Total Revenues	29,668,412
EXPENDITURES	
Current:	
Salaries and benefits	1,736,171
Expenditures related to the "Zero to Five" Programs	28,193,233
Catalytic Round 1 and 2 Program Funding	6,415,133
Total Expenditures	36,344,537
Change in Fund Balance	(6,676,125)
FUND BALANCE, July 1	61,718,344
FUND BALANCE, June 30	\$ 55,042,219

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015**

Net changes in fund balance - total governmental funds \$ (6,676,125)

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in fund balance differs from the amounts reported in the statement of activities because:

Governmental funds report pension contributions as expenditures. However, in the Statements of Activities, pension expense is measured as the change in the net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the change in pension related amounts. 40,893

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. 5,506

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements. 826,824

Change in net position of governmental activities \$ (5,802,902)

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Prop 10 Tobacco Tax	\$ 25,230,753	\$ 25,230,753	\$ 25,943,624	\$ 712,871
Investment income earned on tobacco taxes at the State level	-	-	8,082	8,082
Other State operating grants and contributions	4,716,000	4,716,000	2,939,344	(1,776,656)
Federal operating grants	220,000	408,120	306,528	(101,592)
Investment income	150,000	150,000	206,029	56,029
Other revenue	-	355,478	264,805	(90,673)
Total Revenues	<u>30,316,753</u>	<u>30,860,351</u>	<u>29,668,412</u>	<u>(1,191,939)</u>
EXPENDITURES				
Current:				
Salaries and benefits	1,958,048	1,958,048	1,736,171	221,877
Expenditures related to the "Zero to Five" Program	29,605,955	30,785,233	28,193,233	2,592,000
Catalytic Round 1 and 2 Program Funding	-	8,231,422	6,415,133	1,816,289
Total Expenditures	<u>31,564,003</u>	<u>40,974,703</u>	<u>36,344,537</u>	<u>4,630,166</u>
Net Change in Fund Balance	(1,247,250)	(10,114,352)	(6,676,125)	5,822,105
FUND BALANCE, July 1	<u>61,718,344</u>	<u>61,718,344</u>	<u>61,718,344</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 60,471,094</u>	<u>\$ 51,603,992</u>	<u>\$ 55,042,219</u>	<u>\$ 5,822,105</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Children and Families Commission of Orange County (the Commission) was established by the Orange County Board of Supervisors in 1999 under the provisions of the California Children and Families Act of 1998 (Act). The Commission is a public entity legally separate and apart from the County. The purpose of the Commission is to develop, adopt, promote and implement early childhood development and school readiness programs in the County of Orange consistent with the goals and objectives of the Act. The Commission's programs are funded primarily by taxes levied by the State of California on tobacco products.

A governing board of nine members, which are appointed by the County Board of Supervisors, oversees the Commission. Three members are considered Mandatory Members, comprised of representatives of the County Health Care Agency, Social Services Agency and Board of Supervisors. Other members are considered At-Large Members. The Board of Supervisors Mandatory Member serves for a one-year term without limitation on the number of terms he/she may serve. Other Mandatory Members serve until removed by the Board of Supervisors. At-Large Members serve for terms ranging from two to four years, not to exceed eight consecutive years. The County Board of Supervisors may remove any Commission Member at any time. The Commission is considered a discretely presented component unit of the County of Orange.

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

Basis of Accounting and Measurement Focus

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

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-Wide Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting all assets, liabilities and deferred outflows and inflows of resources of the Commission are included on the statement of net position. The difference between the Commission's assets, liabilities, deferred outflows of resources and deferred inflows of resources is its net position. Net position represent the resources the Commission has available for use in providing services. The Commission's net position is classified as:

Unrestricted – This category represents neither restrictions nor net investment in capital assets and may be used by the Commission for any purpose though they may not be necessarily liquid.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Government-Wide Financial Statements. (Continued)

The statement of activities presents a comparison of the direct expenses and program revenues for the Commission's governmental activities. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues include tobacco taxes, First 5 California programs and federal revenues. General revenues are all revenues that do not qualify as program revenues and include investment income and miscellaneous income. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Fund Financial Statements

The fund financial statements consist of the balance sheet, the statement of revenues, expenditures and changes in fund balance, and the statement of revenues, expenditures and changes in fund balance – budget and actual of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets, deferred inflows of resources, and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in current resources. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 60 days after year-end. Revenues susceptible to accrual include tax revenues, grant revenues and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences, which are recognized when due and payable at year-end.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. A deferred outflow of resources is defined as a consumption of net position by the Commission that is applicable to a future reporting period. The Commission has a deferred inflow, unavailable revenue, which occurs only under a modified accrual basis of accounting. Accordingly, the item is reported only in the governmental fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Commission also recognizes deferred outflows and inflows related pensions under the accrual basis of accounting. These items are reported only in the government-wide Statement of Net Position.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Capital assets, net of accumulated depreciation

Equipment is not considered to be a financial resource and therefore, is not reported as an asset in the fund financial statements. Equipment is capitalized and reported at cost, net of accumulated depreciation in the government-wide financial statements. There were no additions to the capital assets in the current year.

Capital assets are recorded at cost. The Commission capitalizes assets with cost in excess of \$5,000 and a useful life greater than one year. The Commission depreciates capital assets using a straight-line method over the estimated useful life of each asset. The estimated useful life used for the capital assets, comprised only of equipments, ranges from 5 to 10 years.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Prepaid Pension

Prepaid pension contributions are reported as a prepaid asset in the fund financial statements and in the Statement of Net Position. The prepaid pension contributions, at the fund level, pertain to the contributions required for the related payroll periods of July 1, 2015 to June 30, 2016. Because the next actuarial valuation to determine the Commission's net pension liability will occur on December 31, 2015, \$156,417 of the prepaid contributions is recognized as a deferred outflow of resources on the government wide statements to account for the portion that will be applied to the calculation of net pension liability.

Deferred Outflows and Inflows of Resources

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due the Commission are recognized as deferred inflows in the fund financial statements. Unavailable revenue of \$3,902,594 at June 30, 2015 was recognized as revenue in the government-wide financial statements.

The Government Wide Statement of Net Position has reportable deferred outflows and inflows of resources related to pensions. Note 8 to these financial statements, provide further detail for the pension related deferred outflows and inflows of resources.

Long-Term Liabilities

Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities. The compensated absences are liquidated by the general fund.

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

In general, the Commission recognizes a net pension liability, which represents the Commission's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Orange County Employees Retirement System (OCERS). The net pension liability is measured as of OCERS' prior fiscal year end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

Due to other governments

Due to other governments represents amounts owed to grantees and governmental agencies for services provided to the Commission in accordance with the Commission's strategic plan.

Retentions payable

The Commission retains a percentage of amounts billed by grantees and vendors in accordance with executed contracts. Upon fulfilling the requirements of the grantee agreement or contract, the amounts are released.

Use of Estimates

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

Budget and Budget Reporting

The Commission is required by County ordinance to prepare a budget each year based on estimates of revenues and expected expenditures. The Commission's Board of Commissioners adopted an annual budget of expenditures for the year ended June 30, 2015, which is prepared on the modified accrual basis of accounting. The accompanying statement of revenues, expenditures and changes in fund balance – budget and actual includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. With the implementation of GASB 54, the Commission established the following classifications and definitions of fund balance for the year ended June 30, 2015:

Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g. prepaid asset, inventory) or must be maintained intact (e.g. endowment principal).

Restricted - Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation.

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

Assigned - Resources with self-imposed limitations but do not require approval by the highest level of decision making authority (may be a body, committee or individual designated by Board of Commissioners) or the same level of formal action to remove or modify limitations. Includes appropriation of a portion of existing fund balance sufficient to eliminate subsequent year's budget deficit, resources assigned to specific program for which there is an approved budget, and resources approved by the Commission for a long range financial plan.

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

Fund balance of governmental funds is reported in various categories based on the nature of the limitations requiring the use of resources for specific purposes. The Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the Commission. The Commission is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as committed. The Commission adopts an annual budget and gives authority to the Executive Director and staff to assign fund balance for the approved program budget allocations. Unlike commitments, an additional action does not normally have to be taken for the removal of an assignment.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Fund Balance (Continued)

The Commission's spending priority is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

Refer to Note 6 for additional details regarding the GASB 54 classification of fund balance.

Encumbrances

The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Encumbrances of \$53.9 million represent Board-approved future year contracts for Catalytic Programs (\$18.3 million) and annual programs and operations (\$35.6 million). The most significant Catalytic Program encumbrance is for Children's Dental (\$14.3 million). The four significant program encumbrance balances are for the Bridges Maternal Child Health Network, Pediatric Health Services, School Readiness Nursing, and Early Learning program totaling \$28 million.

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 Children and Families Commission Orange County Employees Retirement System (OCERS) plan and additions to/deductions from OCERS' fiduciary net position have been determined on the same basis as they are reported by OCERS. 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.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Commission implemented this statement effective July 1, 2014.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for periods beginning after December 31, 2013. This Statement was effective July 1, 2014. The Commission has determined that this Statement does not have a material impact on the financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Commission implemented this Statement effective July 1, 2014.

Effective in Future Fiscal Years

GASB Statement No. 72 - In February 2015, GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Commission has not determined the effect of this statement.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 – An Amendments to Certain Provisions of GASB 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. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The Commission has not determined the effect of this statement.

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 financial statements for fiscal years beginning after June 15, 2016, or the 2016-2017 fiscal year. The Commission has not determined the effect of this statement.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The 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). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-2018 fiscal year. The Commission has not determined the effect on the financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

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). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Commission has not determined the effect of this statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The Commission has not determined the effect of this statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are classified in the financial statements as follows:

Cash and investments in County Treasury	\$ 51,804,019
Imprest Cash	10,000
Total Cash and Investments	\$ 51,814,019

Cash and investments consisted of the following at June 30, 2015:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 51,804,019
Imprest Cash	10,000
Total Cash and Investments	\$ 51,814,019

Investments Authorized by the California Government Code and the Commission Investment Policy Statement

The list below identifies the investment types that are authorized by the California Government Code or the Commission Investment Policy Statement, where more restrictive.

Authorized investment instruments include:

- Certificates of Deposit (insured or collateralized)
- Orange County Investment Pool
- “AAA” rated Money Market Mutual Funds
- U.S. Treasury securities

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

- U.S. Government Agency securities: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB), Resolution Trust Corporation (RTC), and Tennessee Valley Authority (TVA).
- Municipal Debt
 - Obligations of the State of California:
 - Local Agency Obligations: These are bonds, notes, warrants or other evidences of indebtedness of any local agency or by a department, board or authority of any local agency within California.
 - All Municipal Debt must be rated “AA” or better from at least two NRSROs.

All Money Market Mutual Funds must be AAA rated by two NRSROs, invest only in direct obligations in US Treasury bills, notes, bonds, U.S. Government Agencies and repurchase agreements with a weighted average of 60 days or less, and have a minimum of \$500 million in assets under management.

The Commission is a participant in the County Treasurer’s Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2015, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The fair value adjustment at June 30, 2015 decreased the Commission’s investment income by \$77,823. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission (“State Commission”) for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2015, were as follows:

Due from State Commission:

Prop 10 revenue for:	
May 2015	\$ 2,387,958
June 2015	1,947,944
Surplus Money Investment Fund Allocations	8,082
First 5 CARES Plus Program	320,200
First 5 Child Signature Program RFA #2	14,023
First 5 Child Signature Program RFA #3	3,568,371
Due from other governmental agencies for:	
Vista funds	138,636
Total Due from Other Governments	\$ 8,385,214

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 – DUE TO OTHER GOVERNMENTS

The due to other governments account represents amounts due to the Regents of the University of California, Orange County school districts, and other local governmental agencies. The amounts due to the other governments at June 30, 2015, were as follows:

Due to government agencies:	
FY 2014-2015 Contract Payment Accruals	\$ <u>4,396,008</u>
Total Due to Other Governments	\$ <u>4,396,008</u>

NOTE 5 – COMPENSATED ABSENCES

The vested compensated absences liability balance at June 30, 2015 consists of the following activity:

<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>One Year</u>
<u>\$103,579</u>	<u>\$78,319</u>	<u>\$83,825</u>	<u>\$98,073</u>	<u>\$67,250</u>

NOTE 6 – FUND BALANCE

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance as of June 30, 2015 consists of the following:

	<u>June 30, 2015</u>
Nonspendable:	
Advances and prepaid expenses	\$ 9,340,291
Committed for:	
Catalytic Round 1 and 2 programs	30,112,816
Assigned for:	
Approved contracts	<u>15,589,112</u>
Total fund balance	<u>\$ 55,042,219</u>

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2015-2016. Refer to Note 8 for further details. Also included in Nonspendable are Catalytic funding amounts advanced to grantees for services not provided by June 30, 2015.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2015 for FY 2015-2016 and future years of Commission Round 1 and 2 Catalytic funding.

Assigned for approved contracts – consists of FY 2015-2016 and 2016-2017 programs that were approved by Commission action and included in the FY 2015-2016 Operating Budget.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 – CONTINGENCIES

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. All full-time employees of the Commission participate in the Orange County Employees Retirement System (OCERS). OCERS was established by the County of Orange in 1945. OCERS is administered by the Board of Retirement and governed by the County Employee’s Retirement Law of 1937 (California Government Code Section 31450 et. seq.) OCERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by the County of Orange. OCERS also provides retirement benefits to the employee members of the Orange County Courts, the Orange County Retirement System, one city and twelve special districts.

The management of OCERS is vested with the Orange County Board of Retirement. The Board consists of nine members and one alternate. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the General membership; one member and one alternate are elected by the Safety membership, one member is elected by the retired members of the System. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with her term as County Treasurer. OCERS issues a stand-alone annual financial report, which can be obtained at www.ocers.org.

Plan Membership. At December 31, 2014, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	15,169
Vested terminated members entitled to, but not yet receiving benefits	4,789
Active members	<u>21,459</u>
Total	<u>41,417</u>

Benefits Provided. OCERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Orange or contracting agencies who work a minimum of 20 hours per week become members of OCERS effective on the first day of employment in an eligible position. There are separate retirement plans for General and Safety member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. Any new Safety Member who becomes a member on or after January 1, 2013 is designated PEPRA Safety and is subject to the provisions of California Public Employees’ Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197. All other employees are classified as General members. New General Members employed after January 1, 2013 are designated as PEPRA General subject to the provisions of California Government Code 7522 et seq. and AB 197.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Safety members prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

All General and Safety members can also retire at the age of 70 regardless of service.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits are calculated pursuant to the provisions of California Government Code Sections 31676.01, 31676.1, 31676.12, 31676.16, 31676.18 or 31676.19. For section 31676.01, the monthly allowance is equal to $1/90^{\text{th}}$ of final compensation times years of accrued retirement service credit times age factor from that Section. For Section 31676.1, the monthly allowance is equal to $1/60^{\text{th}}$ of final compensation times years of accrued retirement service credit times age factor from the Section. For Sections 31676.12, 31676.16, 31676.18 or 31676.19, the monthly allowance is equal to $1/50^{\text{th}}$ of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. General member benefits for those who are first hired on or after January 1, 2013, excluding members of Plan T, are calculated pursuant to the provision California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety member benefits are calculated pursuant to the provisions of California Government Code Sections 31664.1 and 31664.2. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

For members with membership dates before January 1, 2013, including all members of Plan T, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum with membership dates on or after January 1, 2013, excluding members of Plan T.

Final average compensation consists of the highest 12 consecutive months for a General Tier 1 or Safety Tier 1 member and the highest 36 consecutive months for a General Tier 2, General PEPRA, Safety Tier 2 or Safety PEPRA member.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

OCERS provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustments, based upon the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County Area, is capped at 3.0%.

Contributions. The Commission contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The contribution rates for FY 2014-15 (based on the December 31, 2012 valuation) were 35.41% of compensation for plan I and J members and 32.05% of compensation for plan U members. Contributions recognized by the plan in FY 2014-15 were \$356,000.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The member contribution rates for FY 2014-15 at the average age of entry of thirty-two (based on December 31, 2012 valuation) were 13.10% of compensation for plan I, 12.52% of compensation for plan J members, and 7.00% of compensation for plan U members. (It should be noted that the contribution rates provided above have not been adjusted to reflect any pick-up or reverse pick-up.)

Early payment of 2015-2016 contributions. In July 2013, the OCERS Board of Retirement authorized the offer of a 5.80% discount to plan sponsors for the early payment of their employer contributions for FY 2015-2016. Subsequently, the Commission authorized the early payment of \$350,321 in January 2015. As of June 30, 2015, \$312,833 remained in the account and will be applied towards the Commission's employer required OCERS contributions for FY 2015-2016. At the fund level, the \$312,833 is reported as prepaid pensions and the portion of the prepaid which will reduce the net pension liability at the next measurement date been reclassified to deferred outflows of resource on the government wide financial statements.

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

At June 30, 2015, the Commission reported a liability of \$3,957,426 for its proportionate share of the net pension liability. The Net Pension Liability (NPL) for the plan was measured as of December 31, 2014. Plan Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2013. At December 31, 2014, the Commission's proportion was 0.078% percent allocated based on the actual employer contributions within the Commission's rate group. The plan provisions used in the measurement of the NPL are the same as those used in the OCERS actuarial valuations as of December 31, 2013.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2015, the Commission recognized pension expense of \$294,188. As of June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ 171,354	
Changes in proportion and differences between employer contributions and proportionate share of contributions		\$ 278,554
Changes of assumptions		277,306
Difference between expected and actual experience		227,101
Commission contributions subsequent to the measurement date	350,417	
Total	\$ 521,771	\$ 782,961

\$350,417 of the amount reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The remaining deferred outflows of resources of \$171,354 represent the net difference between projected and actual investment earnings on pension plan investments. Additional contributions will be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	(108,313)
2017		(108,313)
2018		(108,313)
2019		(108,313)
2020		(151,151)
2021		(27,204)
Thereafter		-
	\$	(611,607)

Actuarial assumptions. The TPL as of December 31, 2014 was remeasured by (1) revaluing the TPL as of December 31, 2013 (before the roll forward) to include the following actuarial assumptions that the Retirement Board approved for use in the pension valuation as of December 31, 2014 and (2) using this revalued TPL in rolling forward the results from December 31, 2013 to December 31, 2014.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Inflation	3.00%
Salary Increases General:	4.25% to 13.50% and Safety: 5.00% to 17.50%, varying by service, including inflation
Investment rate of return:	7.25%, net of pension plan investment expense, including inflation
Post – Retirement Mortality Rates:	
<i>Healthy:</i>	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020. For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.
<i>Disabled:</i>	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females. For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
<i>Beneficiaries:</i>	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.

The long-term expected rate of return of 7.75% on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	14.90%	5.92%
Small/Mid Cap U.S. Equity	2.73%	6.49%
Developed International Equity	10.88%	6.90%
Emerging International Equity	6.49%	8.34%
Core Bonds	10.00%	0.73%
Global Bonds	2.00%	0.30%
Emerging Market Debt	3.00%	4.00%
Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	8.00%	4.97%
Diversified Credit (Non-US Credit)	2.00%	6.76%
Hedge Funds	7.00%	4.13%
GTAA	7.00%	4.22%
Real Return	10.00%	5.86%
Private Equity	6.00%	9.60%
Total	100.00%	

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount rate. The discount rate used to measure the Total Pension Liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the December 31, 2014 Net Pension Liability to changes in the discount rate. The following presents the Commission's Net Pension Liability (NPL) calculated using the discount rate of 7.25%, as well as what the Commission's NPL would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate.

Employer	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Commission	\$5,646,786	\$3,957,425	\$2,568,356

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial report.

NOTE 9 – COMMITMENTS

The Commission leases office space from a third party under a long-term operating lease. The latest lease expires on October 31, 2016 (FY 2016-17) and is non-cancellable. The future minimum rental payments due under the lease are as follows.

FY 2015-16	\$ 68,607
FY 2016-17	22,869
	\$ 91,476

Rent expense was \$68,607 for the year ended June 30, 2015.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 10 – RELATED PARTY TRANSACTIONS

The Commission contracts with the County to provide accounting, banking and investment, purchasing, human resources, risk management and other administrative services. The Commission participates in the County's risk management programs (commercial and self-insurance programs) for general and automobile liability insurance, public official liability, rental interruption, personal property, worker's compensation, group health indemnified plans, group salary continuance plan, group dental plan and unemployment benefit plan. The Commission records its portion of related insurance premiums charged by the County as an expense. Insurance expense for the year ended June 30, 2015 was \$52,018. The Commission incurred expenses totaling \$488,710 for all other County services provided during the year ended June 30, 2015. The amount owed to the County of Orange for related party transactions at June 30, 2015 was \$9,413.

The Commission paid \$2,450,303 of service provider grants to organizations which are represented by two members of the Board of Commissioners, although both members abstain from all votes regarding funding to the organization represented.

NOTE 11 – PROGRAM EVALUATION

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties. For the year ended June 30, 2015, the Commission expended \$760,681 for program evaluation.

NOTE 12 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. In accordance with the Commission's participation agreement entered into in July 2007, the Commission is a participant in the County of Orange Retiree Medical Plan (the Plan). The County of Orange has established the Plan as a single-employer defined benefit retiree medical plan. The Plan provides a grant for medical benefits to eligible retirees and their dependents and lump-sum payments for employees separating from employment prior to being eligible for the grant. The County Board of Supervisors maintains the authority to establish and amend the Plan's benefit provisions. The financial statements and required supplementary information of the Plan are included in the County of Orange's fiscal year 2014-2015 Comprehensive Annual Financial Report (CAFR). The Commission is reported in the County's CAFR as a discretely presented component unit. That report may be obtained by contacting the County of Orange, Auditor Controller, 12 Civic Center Plaza, Room 200, Santa Ana, California 92702.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 12 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS
 (Continued)**

Funding Policy. The contribution requirements of plan members and the Commission are those established for the County of Orange and may be amended by the County Board of Supervisors. For the fiscal year ended June 30, 2015, the Commission was required to contribute 3.96% of covered payroll. The contractually required contribution was determined by the County of Orange, as the percentage actuarially determined in accordance with the parameters of GASB 45. The Annual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period of thirty years. The Commission's contributions to the Plan for the fiscal year ended June 30, 2015 were \$36,416 which equaled the required contributions. Plan members are currently not required to contribute to the plan, but retirees are required to pay for the cost of the retiree medical benefits in excess of their grant amount.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2013	\$ 42,646	100.00%
6/30/2014	41,854	100.00%
6/30/2015	36,416	100.00%

NOTE 13 – FIRST 5 CALIFORNIA CARES PLUS AND CHILD SIGNATURE PROGRAM

CARES Plus is designed to improve the quality of early learning programs by focusing on increasing the quality, effectiveness, and retention of early educators. As a statewide professional development program, its main objectives are to improve both the quality of early learning programs, and ultimately, learning and developmental outcomes for young children. Commission claimed \$320,200 in CARES Plus Phase II reimbursable expenses for the period ending June 30, 2015. Phase II funds have three to one Commission and program partner match to each dollar of First 5 funding.

The Child Signature Program primary purpose in Orange County is to increase quality in early learning programs for children zero to five in identified Early Childhood Education centers where the educational divide is greatest. The program focuses on providing quality improvement support through training and technical assistance to local centers. The Commission participated in Child Signature Program (CSP) RFA #2 and RFA #3 and claimed reimbursable expenses of \$33,765 and \$3,569,197 to First 5 California for the period ending June 30, 2015. CSP RFA #3 has a one to one Commission and program partner match to each dollar for First 5 funding.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 14 – ADVANCES TO OTHERS

Advances to others as of June 30, 2015 were \$9,027,458. Advances to others include catalytic funds advanced to service providers. The Commission invested in catalytic programs expanding the service capacity of service providers in both Early Learning and Homeless Prevention. In August 2012, the Commission advanced \$5,000,000 to Think Together. The purpose of the advance was to develop a strategic partnership to develop early literacy and math programs and guide the implementation in Orange County, maintain early literacy programs and expand early math as programs become available, and create an opportunity to leverage other funding sources to support the material costs and sustain the program. In December 2013, the Commission advanced \$6,250,000 to HomeAid Orange County to construct emergency shelters to serve homeless families with young children, provide operational support for no less than five years, including staffing and direct services for additional emergency shelter beds, and leverages matching funds obtained by implementing agencies for continued operational support. The advanced funds are expensed as services are provided.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

A total prior period adjustment of \$4,415,926 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability. The restatement of beginning net position is summarized as follows:

	June 30, 2014 Previously Presented	Restatement	July 1, 2014 Restated
Prepaid Pensions	\$ 282,162	\$ (141,081)	\$ 141,081
Net Pension Liability	-	(4,590,845)	(4,590,845)
Deferred Outflows	-	316,000	316,000
Net Position	64,690,535	<u>\$ (4,415,926)</u>	60,274,609

REQUIRED SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 LAST 10 YEARS*
 YEAR ENDED JUNE 30, 2015**

	6/30/2015
Proportion of the net pension liability	0.078%
Proportionate share of the net pension liability	\$3,957,426
Covered - employee payroll	\$1,074,627
Proportionate share of the net pension liability as a percentage of covered-employee payroll	368.26%
Plan fiduciary net pension as a percentage of the total pension liability	67.15%

Notes to Schedule:

For GASB purposes, covered employee payroll represents gross salary

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown from the information available.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 SCHEDULE OF COMMISSION CONTRIBUTIONS
 LAST 10 YEARS*
 YEAR ENDED JUNE 30, 2015**

	FY 2015
Contractually required contribution (actuarially determined)	\$357,000
Contributions in relation to the actuarially determined contributions	357,000
Contribution deficiency (excess)	-
 Covered-employee payroll	 \$1,038,060
 Contributions as a percentage of covered- employee payroll	 34.39%

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown from the information available.

OTHER SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATISTICAL SECTION ⁽¹⁾
(UNAUDITED)**

The information in this section is not covered by the Independent Auditors' Report, but it is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional detailed information as a context for understanding what the financial statements, notes to financial statements, and required supplementary information say about the Commission's economic condition.

Page(s)

FINANCIAL TRENDS

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These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time. (Schedules 1 -4)

REVENUE CAPACITY

55

These schedules contain trend information to help the reader assess the Commission's most significant revenue base. (Schedules 5 -7)

DEMOGRAPHIC INFORMATION

58

These schedules offer economic and demographic indicators to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs. (Schedules 8 - 10)

OPERATING INFORMATION

62

This schedule contains infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission performs. (Schedule 11 - 13)

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

⁽¹⁾ Since certain data (i.e. total personal income, per capita personal income and unemployment) are not considered relevant to Commission operations, substitute information specific to the Commission is presented.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2015*	2014	2013	2012
Net investment in capital	\$ -	\$ -	\$ -	\$ -
Unrestricted	54,471,707	64,690,535	72,411,134	78,984,810
Total net position	<u>\$ 54,471,707</u>	<u>\$ 64,690,535</u>	<u>\$ 72,411,134</u>	<u>\$ 78,984,810</u>

* First year of implementation for GASB No. 68

Statistical Section

Schedule 1



Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 235	\$ 798	\$ 2,301	\$ 5,121	\$ 7,942	\$ 11,419
<u>30,063,595</u>	<u>102,842,804</u>	<u>122,720,258</u>	<u>142,142,025</u>	<u>151,578,753</u>	<u>152,265,738</u>
<u>\$ 30,063,830</u>	<u>\$ 102,843,602</u>	<u>\$ 122,722,559</u>	<u>\$ 142,147,146</u>	<u>\$ 151,586,695</u>	<u>\$ 152,277,157</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2015	2014	2013	2012
Expenses:				
Governmental activities:				
Salaries and benefits	1,689,772	1,747,564	1,704,815	2,094,872
Expenses related to "Zero to Five" Services and supplies for State School	34,608,366	36,672,235	33,341,947	31,129,369
Extraordinary Item: Accrual of AB99 liability				
Total expenses	36,298,138	38,419,799	35,046,762	33,224,241
Program revenues:				
Governmental activities:				
Program revenues				
Prop 10 Tobacco taxes	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350
Operating grants and contributions				
Prop 10 State School Readiness				
First 5 CARES Plus	575,300	269,033	237,504	435,487
First 5 Child Signature Program	3,350,818	2,719,243	90,171	
Other State operating grants and Federal operating grants	260,297	902,242	668,105	592,725
General revenues				
Investment income earned on tobacco taxes at the State Level (SMIF)	8,082	7,071	9,588	11,612
Investment income	206,029	349,366	122,358	481,976
Other revenue	151,086	56,520	320,180	265,632
Extraordinary Item: Reversal of AB99 liability				51,369,439
Total revenues	\$ 30,495,236	\$ 30,699,200	\$ 28,472,411	\$ 82,145,221
Net (expense) revenue	\$ (5,802,902)	\$ (7,720,599)	\$ (6,574,351)	\$ 48,920,980

Statistical Section

Schedule 2



Fiscal Year					
2011	2010	2009	2008	2007	2006
2,290,308	2,415,467	2,439,415	2,323,471	2,258,080	2,241,058
49,431,678	46,836,184	54,377,591	51,331,591	42,972,440	36,171,992
	6,844,534	5,660,307	5,959,517	5,856,371	4,921,544
51,369,439					
<u>103,091,425</u>	<u>56,096,185</u>	<u>62,477,313</u>	<u>59,614,579</u>	<u>51,086,891</u>	<u>43,334,594</u>
\$ 28,809,921	\$ 29,706,126	\$ 33,396,055	\$ 35,494,096	\$ 37,356,314	\$ 39,332,323
	4,349,489	4,294,144	4,114,774	1,706,125	2,554,681
	145,834	104,166	352,597	669,897	330,598
641,124	752,152	1,020,269	1,020,556	2,237,302	307,741
15,331	82,000	82,479	190,332	430,669	203,588
818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090
26,983	40,509	210,659	148,113	41,527	176,257
<u>\$ 30,311,653</u>	<u>\$ 36,217,228</u>	<u>\$ 43,052,726</u>	<u>\$ 50,175,030</u>	<u>\$ 50,396,428</u>	<u>\$ 49,411,278</u>
<u>\$ (72,779,772)</u>	<u>\$ (19,878,957)</u>	<u>\$ (19,424,587)</u>	<u>\$ (9,439,549)</u>	<u>\$ (690,463)</u>	<u>\$ 6,076,684</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

FUND BALANCES - GENERAL FUND

LAST TEN FISCAL YEARS

	Fiscal Year			
	2015*	2014*	2013*	2012*
FUND BALANCES				
Nonspendable fund balance	\$ 9,340,291	\$ 10,782,162	\$ 5,624,041	\$ 65,657
Restricted fund balance				
Committed fund balance	30,112,816	34,561,184	44,990,092	45,090,000
Assigned fund balance	15,589,112	16,374,998	21,350,266	33,560,512
Unassigned fund balance				
Total fund balances	<u>\$ 55,042,219</u>	<u>\$ 61,718,344</u>	<u>\$ 71,964,399</u>	<u>\$ 78,716,169</u>
Reserved				
Reserved for encumbrances				
Reserved for contractual obligations				
Reserved for capital projects				
Reserved for First 5 California initiatives				
Unreserved				
Designated for program operations				
Designated for future funding cycles and operating budget				
Unreserved				
Total fund balances				

* Fund Balance presentation changed in fiscal year 2010-11 due to the implementation of GASB 54.



Fiscal Year					
2011*	2010	2009	2008	2007	2006
\$ 399,279					
35,123,581					
(5,547,385)					
<u>\$ 29,975,475</u>					
	\$ 43,044,502	\$ 70,245,812	\$ 2,207,285	\$ 22,151,367	\$ 20,116,494
	24,677,280	27,017,022	68,027,433		33,553,325
	2,500,050	4,000,000	5,000,000		
			8,690,731	5,378,112	
	2,495,502	3,128,463			
	30,006,543	18,115,319	58,252,130	123,929,539	89,740,050
	<u>\$ 102,723,877</u>	<u>\$ 122,506,616</u>	<u>\$ 142,177,579</u>	<u>\$ 151,459,018</u>	<u>\$ 143,409,869</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

CHANGES IN FUND BALANCES - GENERAL FUND

LAST TEN FISCAL YEARS

	Fiscal Year			
	2015	2014	2013	2012
Revenues:				
Prop 10 Tobacco taxes	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350
Prop 10 State School Readiness				
Other State operating grants and contributions	113,719			
First 5 CARES Plus	272,815	306,465	217,258	145,487
First 5 Child Signature Program	2,666,529	117,853		
Investment income earned on tobacco taxes at the State Level (SMIF)	8,082	7,071	9,588	11,612
Federal operating grants	306,528	741,798	603,957	903,770
Investment income	206,029	349,365	122,358	481,976
Other revenue	151,086	282,705	320,180	90,786
Total revenues	29,668,412	28,200,982	28,297,846	30,621,981
Expenditures:				
Current:				
Salaries and benefits	1,736,171	1,774,802	1,708,344	2,094,972
Expenditures related to "Zero to Five" Program	28,193,233	31,347,721	28,712,645	31,155,080
Catalytic Round 1 and 2 Program Funding	6,415,133	5,324,514	4,629,302	
Services and supplies for State School Readiness program				
Capital outlay				
Total expenditures	36,344,537	38,447,037	35,050,291	33,250,052
Excess (deficiency) or revenues over (under) expenditures	(6,676,125)	(10,246,055)	(6,752,445)	(2,628,071)
Other Financing Sources (uses):				
Extraordinary Item: Accrual of AB99 liability				
Extraordinary Item: Reversal of AB99				51,369,439
Total changes in fund balance	\$ (6,676,125)	\$ (10,246,055)	\$ (6,752,445)	\$ 48,741,368

Statistical Section

Schedule 4



Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 28,809,921	\$ 29,706,126	\$ 33,396,055	\$ 35,527,837	\$ 37,356,314	\$ 39,332,323
	4,349,489	4,294,144	4,114,774	10,461,757	
	145,834	104,166	352,597	669,897	311,792
15,331	82,000	82,479	190,332	430,669	
686,722	840,427	757,061	1,130,638	2,237,302	1,432,084
818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090
26,983	40,509	210,659	148,113	41,527	36,867
<u>30,357,251</u>	<u>36,305,503</u>	<u>42,789,518</u>	<u>50,318,853</u>	<u>59,152,060</u>	<u>47,619,156</u>
2,320,099	2,409,027	2,425,403	2,312,004	2,262,578	2,218,293
49,431,115	46,834,681	54,374,771	51,328,771	42,968,962	36,167,198
	6,844,534	5,660,307	5,959,517	5,856,371	4,921,544
<u>51,751,214</u>	<u>56,088,242</u>	<u>62,460,481</u>	<u>59,600,292</u>	<u>51,087,911</u>	<u>43,307,035</u>
(21,393,963)	(19,782,739)	(19,670,963)	(9,281,439)	8,064,149	4,312,121
(51,369,439)					
<u>\$ (72,763,402)</u>	<u>\$ (19,782,739)</u>	<u>\$ (19,670,963)</u>	<u>\$ (9,281,439)</u>	<u>\$ 8,064,149</u>	<u>\$ 4,312,121</u>

FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY

	Orange County	State Total
Actual Tobacco Tax Revenues Received (1)		
2004/2005	\$40,175,154	\$474,651,747
2005/2006	\$39,332,323	\$468,897,022
2006/2007	\$37,356,302	\$451,562,723
2007/2008	\$35,527,837	\$442,394,748
2008/2009	\$33,396,055	\$424,449,499
2009/2010	\$29,706,126	\$381,995,574
2010/2011	\$28,809,921	\$374,284,018
2011/2012	\$28,988,350	\$377,690,133
2012/2013	\$27,024,505	\$360,434,399
2013/2014	\$26,395,725	\$347,802,124
2014/2015	\$25,943,624	\$342,274,305

Projected Tobacco Tax Revenues (2)		
2015/2016	\$23,801,860	\$314,388,800
2016/2017	\$22,903,732	\$302,473,260
2017/2018	\$22,036,874	\$290,974,764
2018/2019	\$21,200,199	\$279,878,715

(1) Historical data and projected revenues are presented to communicate tax revenue capacity as a declining revenue source

(2) Source: First 5 California County Tax Revenue Projections for 2013/14 to 2017/18 (Updated 6/4/14 utilizing DOF May Revise 2014 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1970-2022)

STATE OF CALIFORNIA - CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE
FY 1959-60 TO 2013-14

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
2013-14	\$751,513,000	\$6,443,000	\$757,956,000	\$600,000	\$86,424,000	29.82%
2012-13	\$782,115,000	\$6,705,000	\$788,820,000	\$498,000	\$82,548,000	30.68%
2011-12	\$820,322,000	\$7,032,000	\$827,355,000	\$1,017,000	\$80,424,000	31.73%
2010-11	\$828,831,000	\$7,105,000	\$835,937,000	\$1,308,000	\$77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	\$85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	\$79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	\$58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	\$40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	\$0,037,000	52.65% d/
2000-01	1,110,692,000	9,503,000	1,120,195,000	8,741,000	\$52,834,000	54.89%
1999-00	1,166,880,000	9,980,000	1,176,859,000	9,413,000	66,884,000	66.50%
1998-99	841,911,000 e/	7,206,000	849,117,000	6,808,000	\$42,137,000 f/	61.53% o f/
1997-98	612,066,000	5,244,000	617,309,000	5,448,000	39,617,000	29.37%
1996-97	629,579,000	5,394,000	634,973,000	5,060,000	\$41,590,000	30.38%
1995-96	639,030,000	5,469,000	644,499,000	6,193,000	32,788,000	31.20%
1994-95	656,923,000	5,628,000	662,551,000	11,159,000	\$28,460,000	31.20%
1993-94	\$647,993,000 g/	\$5,553,000	\$653,546,000	\$8,353,000	19,773,000	23.03%
1992-93	\$667,479,000	\$5,715,000	\$673,195,000	\$9,138,000	\$21,480,000	26.82%
1991-92	711,275,000	6,086,000	717,362,000	7,791,000	22,016,000	29.35%
1990-91	729,612,000	6,242,000	735,854,000	7,904,000	\$24,064,000	34.17%
1989-90	770,042,000 h/	6,581,000	776,623,000	11,615,000	24,956,000 h/	37.47%
1988-89	499,712,000 h/	4,273,000	503,984,000	4,968,000	\$9,994,000 h/	41.67%
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,367,000		
1979-80	272,119,000	2,327,000	274,446,000	1,645,000		
1978-79	270,658,000	2,315,000	272,973,000	1,408,000		
1977-78	275,042,000	2,352,000	277,394,000	1,239,000		
1976-77	270,502,000	2,315,000	272,817,000	832,000		
1975-76	\$269,852,000	\$2,309,000	\$272,161,000	\$927,000		
1974-75	\$264,182,000	\$2,262,000	\$266,444,000	\$745,000		
1973-74	259,738,000	2,222,000	261,960,000	632,000		
1972-73	253,089,000	2,167,000	255,256,000	626,000		
1971-72	248,398,000	2,127,000	250,525,000	677,000		
1970-71	240,372,000	2,058,000	242,430,000	552,000		
1969-70	237,220,000	2,032,000	239,253,000	455,000		
1968-69	238,836,000	2,046,000	240,882,000	492,000		
1967-68	208,125,000 i/	1,862,000	209,987,000	328,000		
1966-67	75,659,000	1,543,000	77,202,000	129,000		
1965-66	74,880,000	1,528,000	76,407,000	88,000		
1964-65	74,487,000	1,520,000	76,007,000	61,000		
1963-64	71,530,000	1,459,000	72,989,000	71,000		
1962-63	70,829,000	1,445,000	72,274,000	79,000		
1961-62	68,203,000	1,390,000	69,593,000	47,000		
1960-61	66,051,000 j/	1,675,000 k/	67,726,000	76,000		
1959-60	61,791,000 l/	767,000 l/	62,558,000	67,000		

Source: State Board of Equalization 2013-2014 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2013-14

Note: Detail may not compute to total due to rounding.

- a. Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
- b. A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was
- c. Includes sales of indicia purchased on credit. Effective July 16, 1961, distributors have been able to purchase tax indicia on credit.
- d. From July 1, 2001, through September 9, 2001, the surtax rate on smokeless tobacco ranged from 131 percent for moist snuff to 490 percent for chewing tobacco. Effective September 10, 2001, the surtax rate on smokeless tobacco was lowered to 52.65 percent.
- e. Effective January 1, 1999, the overall tax rate on cigarettes was increased from 37 cents to 87 cents per pack under voter-approved Proposition 10. The additional 50-cent-per-pack tax was imposed to raise funds for early childhood development programs. Excludes \$87,978,766 in 1998-99 from the floor stocks taxes for both cigarettes and other tobacco products levied on January 1, 1999.
- f. From July 1, 1998, through December 31, 1998, the surtax rate was 26.17 percent for other tobacco products. Effective January 1, 1999, the new surtax imposed under Proposition 10 raised the combined surtax rate to 61.53 percent for other tobacco products. The new surtax is equivalent (in terms of the wholesale costs of other tobacco products) to a 50-cent-per-pack tax on cigarettes.
- g. Effective January 1, 1994, the overall tax rate on cigarettes was increased from 35 cents to 37 cents per pack. The additional 2-cent-per-pack tax was imposed to raise funds for breast cancer research and education.
- h. Effective January 1, 1989, an additional 25-cent-per-pack surtax was imposed on cigarettes and a new 41.67 percent surtax was imposed on other tobacco products. Excludes \$57,927,856 in 1988-89 and \$595,000 in 1989-90 from the floor stocks tax levied on January 1, 1989.
- i. Effective August 1, 1967, the tax rate was increased from 3 cents to 7 cents per pack. On October 1, 1967, the rate was further increased to 10 cents per pack, with the stipulation that 30 percent of the tax be allocated to cities and counties. Includes \$6,515,209 from the 4-cent-per-pack floor stocks tax levied on August 1, 1967; and \$4,889,485 from the 3-cent-per-pack floor stocks tax imposed October 1, 1967.
- j. Refunds made for distributors' discounts in the 1960-61 fiscal year on purchases made in the 1959-60 fiscal year have been deducted. These refunds amounted to \$3.
- k. Effective July 1, 1960, a discount was allowed at the time tax indicia were purchased.
- l. Includes \$2,673,048 from the 3-cent-per-pack floor stocks tax imposed July 1, 1959; and also includes the amount of distributors' discounts which were refunded after purchase of indicia. During July and August of 1959, the tax was collected by invoice and no discount was allowed on these collections of \$8,123,700, nor on the \$2,673,048 tax on floor stocks.

STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2013-14

Fiscal year	Reported distributions (Millions of packages)			Apparent per capita consumption (a.) (In packages)
	Total	Tax paid	Tax exempt	
1	2	3	4	5
2013-14	889	871	18	23.2
2012-13	930	907	23	24.5
2011-12	972	951	21	25.8
2010-11	989	961	28	26.4
2009-10	1,002	972	30	26.9
2008-09	1,090	1,058	32	28.5
2007-08	1,131	1,107	24	29.9
2006-07	1,177	1,158	20	31.3
2005-06	1,209	1,190	19	32.5
2004-05	1,224	1,187	37	33.3
2003-04	1,234	1,184	50	34.0
2002-03	1,227	1,196	31	34.5
2001-02	1,271	1,237	34	36.3
2000-01	1,324	1,288	37	38.5
1999-00	1,390	1,353	38	41.2
1998-99	1,568	1,523	45	47.3
1997-98	1,717	1,668	48	52.6
1996-97	1,777	1,716	61	55.2
1995-96	1,811	1,742	69	56.9
1994-95	1,871	1,791	80	59.2
1993-94	1,903	1,824	79	60.6
1992-93	2,010	1,923	86	64.5
1991-92	2,144	2,050	94	69.8
1990-91	2,196	2,102	93	72.8
1989-90	2,311	2,219	92	78.2
1988-89	2,431	2,353	78	84.7
1987-88	2,657	2,570	87	94.9
1986-87	2,690	2,595	95	98.4
1985-86	2,730	2,632	98	102.3
1984-85	2,781	2,673	108	106.7
1983-84	2,792	2,675	117	109.9
1982-83	2,889	2,761	128	115.8
1981-82	2,947	2,811	136	120.4
1980-81	2,966	2,825	141	123.6
1979-80	2,892	2,744	148	122.9
1978-79	2,887	2,730	157	125.1
1977-78	2,940	2,774	166	130.0
1976-77	2,900	2,728	172	130.9
1975-76	2,909	2,722	187	133.7
1974-75	2,857	2,664	193	133.7
1973-74	2,827	2,620	207	134.4
1972-73	2,762	2,553	209	133.2
1971-72	2,720	2,505	215	132.9
1970-71	2,635	2,424	211	130.5
1969-70	2,594	2,393	201	130.2
1968-69	2,616	2,409	207	133.0
1967-68	2,596	2,383	213	134.0
1966-67	2,737	2,573	164	143.8
1965-66	2,706	2,547	159	144.9
1964-65	2,679	2,534	145	146.7
1963-64	2,564	2,433	131	144.3
1962-63	2,545	2,409	136	147.9
1961-62	2,450	2,320	130	147.3
1960-61	2,382	2,258	124	147.8
1959-60	2,190	2,085	105	139.7

Source: State Board of Equalization 2012-2013: Annual Report Table 30B - Cigarette Distributions and Per Capita Consumption, 1959-60 to 2013-14

a. Based on reported distributions and latest estimate of January 1 population for each fiscal year.

Note: Detail may not compute to total due to rounding.

ORANGE COUNTY DEMOGRAPHIC DATA

	2014**	2013**	2012**	2011**	2010**	2009*	2008*	2007*	2006*	2005*
Total Population	3,125,833	3,097,966	3,071,877	3,044,425	3,014,996	2,998,820	2,982,790	2,965,829	2,955,425	2,957,137
White	1,320,738	1,326,819	1,329,770	1,331,740	1,333,762	1,363,087	1,383,364	1,392,586	1,405,485	1,423,283
Hispanic	1,081,072	1,066,140	1,050,465	1,034,150	1,016,837	1,008,604	986,104	972,550	961,383	953,194
Asian & Pacific Islander	595,509	579,232	567,960	556,901	544,849	510,352	499,281	488,521	478,200	471,594
Black	46,221	45,500	45,210	44,929	44,640	44,641	44,520	44,336	44,328	44,454
Other/Multi-Race	82,293	80,275	78,472	76,705	74,908	72,136	69,521	67,836	66,029	64,612
Female	1,579,799	1,565,455	1,552,344	1,538,561	1,523,726	1,512,752	1,505,167	1,496,612	1,491,352	1,491,824
Male	1,546,034	1,532,511	1,519,533	1,505,864	1,491,270	1,486,068	1,477,623	1,469,217	1,464,073	1,465,313
Under 5 years	186,995	187,697	188,862	190,404	191,239	194,723	200,988	202,945	206,581	211,862
5-9 years	195,438	197,174	197,689	197,235	198,206	200,944	206,588	209,284	211,386	214,222
10-14 years	203,099	203,809	205,204	207,822	209,622	209,260	218,622	222,735	226,066	228,892
15-19 years	215,681	218,609	222,302	225,549	227,145	222,780	219,706	215,560	211,947	209,182
20-24 years	230,321	227,482	223,270	218,055	214,213	209,857	210,065	209,122	208,119	207,329
25-34 years	430,882	425,884	421,913	418,208	414,169	411,027	407,538	406,889	410,873	420,513
35-44 years	422,237	425,640	430,099	434,193	437,594	447,102	463,117	468,042	472,297	477,416
45-54 years	456,041	453,141	451,268	448,664	444,819	443,950	431,378	422,705	413,346	405,181
55-59 years	205,759	199,440	192,484	184,962	177,047	172,474	165,260	163,804	161,041	157,034
60-64 years	165,903	160,400	156,367	153,990	148,378	142,894	132,056	125,167	120,075	116,676
65-74 years	232,943	221,626	210,085	197,675	189,141	183,812	171,707	166,405	162,709	160,296
75-84 years	122,408	119,967	117,217	114,869	113,088	111,930	111,338	110,392	109,762	108,681
85+	58,126	57,097	55,117	52,799	50,335	48,067	44,427	42,779	41,223	39,853

Sources:

* State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, May 2012.

** State of California, Department of Finance, Report P-3: State and County Total Population Projections by Race/Ethnicity and Detailed Age, 2010-2060

LIVE BIRTHS, CALIFORNIA COUNTIES, 2003-2013 (By Place of Residence)*

COUNTY	YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
CALIFORNIA	494,390	503,788	502,023	509,979	526,774	551,567	566,137	562,157	548,700	544,685
ALAMEDA	19,050	19,550	19,002	19,302	20,320	20,972	21,519	21,058	20,902	20,919
ALPINE	6	8	6	4	4	13	13	13	15	8
AMADOR	269	285	269	272	295	288	294	274	288	262
BUTTE	2,372	2,397	2,392	2,454	2,439	2,518	2,519	2,633	2,451	2,354
CALAVERAS	328	347	326	346	338	373	397	393	371	322
COLUSA	306	314	302	338	361	367	386	389	381	345
CONTRA COSTA	12,173	12,061	12,057	12,352	12,680	13,136	13,485	13,565	13,143	13,279
DEL NORTE	317	302	337	372	333	312	356	365	327	285
EL DORADO	1,561	1,513	1,629	1,618	1,719	1,814	1,881	2,036	1,930	1,897
FRESNO	15,939	15,953	16,157	16,281	16,273	16,760	17,291	16,876	15,936	15,896
GLENN	391	368	391	434	424	472	434	455	431	398
HUMBOLDT	1,455	1,511	1,448	1,551	1,542	1,601	1,599	1,643	1,598	1,509
IMPERIAL	3,139	3,041	3,075	3,072	3,145	3,221	3,148	3,127	3,058	2,861
INYO	219	219	213	192	239	226	212	250	205	214
KERN	14,514	14,558	14,287	14,416	14,827	15,315	15,328	15,104	14,022	13,455
KINGS	2,417	2,357	2,565	2,507	2,644	2,710	2,781	2,683	2,554	2,549
LAKE	726	739	715	721	726	705	742	695	728	686
LASSEN	298	298	300	322	325	323	264	259	289	301
LOS ANGELES	127,194	131,697	130,312	133,160	139,679	147,684	151,813	151,837	150,377	151,504
MADERA	2,339	2,256	2,401	2,434	2,390	2,535	2,611	2,622	2,349	2,346
MARIN	2,310	2,306	2,385	2,368	2,495	2,716	2,819	2,734	2,785	2,792
MARIPOSA	137	161	132	145	155	147	141	159	122	150
MENDOCINO	1,077	1,153	1,061	1,059	1,100	1,168	1,145	1,106	1,121	1,125
MERCED	4,279	4,311	4,281	4,248	4,407	4,423	4,650	4,742	4,470	4,296
MODOC	72	78	87	119	85	92	80	80	81	85
MONO	142	131	156	151	139	175	161	192	153	170
MONTEREY	6,552	6,652	6,814	6,764	7,068	7,434	7,551	7,474	7,501	7,396
NAPA	1,501	1,431	1,572	1,525	1,653	1,671	1,665	1,754	1,658	1,604
NEVADA	812	810	761	793	758	871	844	804	819	818
ORANGE	37,429	38,186	38,100	38,237	40,431	42,456	44,026	44,231	44,065	45,060
PLACER	3,806	3,648	3,832	3,824	3,804	4,035	4,051	3,892	3,823	3,797
PLUMAS	156	151	165	170	154	175	186	172	176	173
RIVERSIDE	30,540	30,316	30,610	30,659	31,601	32,866	34,556	33,659	31,509	29,545
SACRAMENTO	19,439	19,618	19,998	20,055	20,426	21,389	22,110	21,952	21,184	20,836
SAN BENITO	763	701	772	735	752	816	882	885	892	887
SAN BERNARDINO	30,265	30,691	30,573	31,367	31,984	33,788	35,193	34,675	33,075	31,914
SAN DIEGO	42,676	44,391	43,621	44,838	44,960	46,742	47,545	46,876	45,897	45,758
SAN FRANCISCO	8,768	9,070	8,813	8,800	8,807	9,104	9,125	8,609	8,403	8,579
SAN JOAQUIN	10,179	10,129	10,328	10,593	10,872	11,030	11,592	11,782	11,495	11,010
SAN LUIS OBISPO	2,580	2,580	2,632	2,736	2,614	2,737	2,884	2,727	2,664	2,694
SAN MATEO	8,815	9,182	9,047	9,193	9,452	9,765	9,910	9,808	9,938	10,089
SANTA BARBARA	5,684	5,584	5,803	5,819	6,039	6,319	6,289	6,166	6,192	6,209
SANTA CLARA	23,224	24,308	23,652	23,936	25,200	26,730	27,484	26,942	26,553	26,537
SANTA CRUZ	3,005	3,084	3,232	3,190	3,301	3,538	3,571	3,600	3,385	3,399
SHASTA	2,051	2,110	2,021	2,136	2,069	2,186	2,230	2,191	2,123	2,046
SIERRA	19	19	23	23	21	22	24	14	35	18
SISKIYOU	462	501	472	434	477	498	512	493	470	467
SOLANO	5,161	5,061	5,158	5,047	5,392	5,607	5,847	5,801	5,737	5,688
SONOMA	5,157	5,144	5,150	5,391	5,683	5,761	5,742	5,896	5,613	5,964
STANISLAUS	7,644	7,592	7,737	7,804	7,941	8,549	8,826	8,728	8,445	8,061
SUTTER	1,290	1,258	1,326	1,360	1,433	1,468	1,497	1,577	1,484	1,342
TEHAMA	751	767	728	767	814	790	765	818	872	700
TRINITY	108	125	123	107	116	126	117	122	120	110
TULARE	7,854	8,000	7,966	8,155	8,362	8,533	8,505	8,284	8,168	7,957
TUOLUMNE	444	459	430	487	425	486	474	495	446	477
VENTURA	10,565	10,641	10,656	11,147	11,353	12,076	12,194	12,453	12,160	11,954
YOLO	2,430	2,452	2,340	2,426	2,483	2,669	2,522	2,646	2,453	2,404
YUBA	1,232	1,213	1,282	1,223	1,245	1,264	1,349	1,341	1,258	1,184

Source: State of California, Department of Public Health, Birth Records

*Information for 2014 is not available.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2003-2013

	2013	2012	2011	2010
<u>GOOD HEALTH</u>				
Total percentage of women who received early prenatal care*	****	88.6% _o	88.7% _o	89.0% _o
Women with prenatal care in the first trimester*	****	33,814	33,780	34,018
Newborns with low birth weight (less than 2,500 grams)*	****	2,401	2,550	2,462
Percent of Newborns with low birth weight*	****	6.3% _o	6.7% _o	6.4% _o
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth* (FY)	****	82	128	89
Children adequately immunized at age 2*	73.6% _o	75.7% _o	78.1% _o	74.8% _o
Infant Deaths*	****	130	160	147
Infant Mortality Rate (per 1,000 live births)*	****	3.4	4.2	4.0
Birth rates per 1,000 females ages 15-19 in Orange County*	****	19.1	20.1	21.4
Breastfeeding Percentages (any)*	94.0% _o	93.2% _o	93.2% _o	92.7% _o
Breastfeeding Percentages (exclusive)*	62.7% _o	62.1% _o	59.8% _o	55.6% _o
<u>ECONOMIC WELL-BEING</u>				
Children receiving financial assistance through CalWORKS* (FY)	43,916	45,950	46,809	42,793
Percent of children receiving CalWORKS of total population under 18* (FY)	6.1% _o	6.2% _o	5.9% _o	5.4% _o
Number of students receiving free and reduced lunch* (FY)	238,891	226,854	228,121	227,820
Percentage of students receiving free and reduced lunch* (FY)	47.9% _o	46.4% _o	45.4% _o	44.4% _o
Number of participants served by the WIC program* (FY)	92,303	98,219	103,563	100,434
Total number of child support cases* (FY)	70,608	77,582	89,852	100,056
Total child support collections \$ (in millions)* (FY)	178.6	180.1	177.4	177.2
<u>EDUCATIONAL ACHIEVEMENT</u>				
Total public school enrollment* (FY)	501,801	502,195	502,895	502,239
Number of English learner students* (FY)	123,290	130,076	126,226	141,605
Average \$ expenditure per pupil for grades K-12* (FY)	7,943	7,817	7,722	7,852
Total number of students K-12 receiving special education* (FY)	51,905	51,613	51,208	51,394
<u>SAFE HOMES AND COMMUNITIES</u>				
Average monthly number of children in out-of-home care* (FY)	2,257	2,215	2,018	2,195
Average monthly number of dependents of the court* (FY)	2,862	2,791	2,795	3,050
Total number of finalized adoptions within 12 months legally free* (FY)	****	173	179	203
Total juvenile arrests for youth 10 to 17 years of age*	****	8,566	10,797	13,485
Total number of juveniles referred to probation, 10 to 18 years*	****	8,882	10,454	11,533

* The 20th Annual Report on the Condition of Children in Orange County 2014 presents dates through calendar year 2013. Data through FY 2014-15 not yet available.

** The Public Schools Accountability Act (PSAA) of 1999 (Chapter 3, Statutes of 1999), requires that the California Department of Education (CDE) annually calculate APIs for California public schools and publish school rankings based on these indicies.

*** Methodologies used to collect data have been revised. 2009 data and prior years should not be compared.

**** Not yet available

Statistical Section

Schedule 10

2009	2008	2007	2006	2005	2004	2003
88.2%	87.8%	88.0%	91.0%	91.4%	91.7%	91.6%
35,650	37,267	38,727	38,364	38,365	41,306	41,516
2,670	2,705	2,879	2,816	2,826	2,782	2,718
6.6%	6.4%	6.5%	6.4%	6.4%	6.2%	6.0%
81	107	158	164	165	203	120
76.6%	81.1%	76.9%	78.9%	78.9%	77.6%	71.4%
165	202	187	224	211	179	200
4.1	4.8	4.2	5.1	4.8	4	4.4
23.6	25.9	27.7	29.9	29.8	30.1	30.7
88.0% ***						
39.2% ***						
35,962	31,932	32,040	33,618	36,245	37,384	38,997
4.5%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%
211,179	197,671	184,956	193,802	200,340	196,430	198,167
43.1%	40.0%	39.0%	39.0%	39.0%	38.0%	38.7%
104,622	117,188	107,595	95,635	98,635	99,115	97,882
103,598	94,860	94,769	97,425	98,503	99,134	102,040
180.3	179.6	179	176.8	176.9	171.9	166.1
504,136	503,255	503,955	510,114	513,744	515,464	512,105
140,887	142,833	141,762	144,118	149,535	153,055	159,145
8,724	8,844	8,008	7,360	6,944	6,750	6,715
51,486	51,047	51,131	52,243	51,049	51,514	50,236
2,466	2,668	2,562	2,394	2,566	2,772	2,939
2,453	3,687	3,468	3,210	3,425	3,706	4,007
211	203	228	212	259	283	251
14,341	14,914	14,988	14,021	12,985	12,989	13,548
11,531	12,456	11,900	10,852	10,772	10,092	10,491

CAPITAL ASSETS STATISTICS

Capital Assets (equipment) are used by the Commission for general operating and administrative functions. Proposition 10 funds (tobacco taxes) were not used to purchase any capital assets.

PRINCIPAL EMPLOYERS

LAST YEAR AND NINE YEARS AGO

2015*

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	27,000	1	1.86%
University of California, Irvine	22,385	2	1.54%
St. Joseph Health System	12,227	3	0.84%
Kaiser Permanente	7,000	4	0.48%
Boeing Co.	6,890	5	0.48%
Wal-Mart Stores Inc.	6,000	6	0.41%
Memorial Care Health System	5,650	7	0.39%
Bank of America Corp.	5,500	8	0.38%
Target Corp.	5,400	9	0.37%
California State University, Fullerton	5,147	10	0.35%

2006**

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	21,000	1	1.29%
County of Orange	18,029	2	1.11%
University of California, Irvine	16,229	3	1.00%
Boeing Co.	12,042	4	0.74%
St. Joseph Health System	9,385	5	0.58%
Yum Brands Inc.	6,600	6	0.41%
Ameriquest Capital Corporation	6,300	6	0.39%
California State University, Fullerton	5,256	8	0.32%
PacificCare	5,074	9	0.31%
Home Depot, Incorporated	5,000	10	0.30%

* Source: Orange County Business Journal, Book of Lists (does not include County of Orange)

** Source: Orange County Business Journal, Book of Lists as reproduced in the 2005 County of Orange CAFR

**EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of Employees by Function										
General Administration	3	3	4	6	7	7	7	8	7	8
Finance	2	2	1	2	2	2	2	1	2	3
Contracts Administration	4	4	4	4	5	5	5	5	5	5
Program Management & Evaluation	4	4	4	3	3	4	4	4	2	2
Total Employees	<u>13</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>16</u>	<u>18</u>

* Table presents Regular and Limited-Term Employees



**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 *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
Children and Families Commission of Orange County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 5, 2015. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, effective July 1, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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.

Vavriach, Train, Dwyer & Co., LLP

Laguna Hills, California
October 5, 2015



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners
 Children and Families Commission of Orange County

Compliance

We have audited the Children and Families Commission of Orange County's (Commission), a component unit of the County of Orange, 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, 2015.

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, 2015.

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.

Vannich Train, CPA, USA

Laguna Hills, California

October 5, 2015