



***Supplemental Transmittal  
October 5, 2011 Meeting***

**DATE:** October 3, 2011

**TO:** Clerk of the Commission

**FROM:** Michael M. Ruane, Executive Director

A handwritten signature in black ink, appearing to read "Michael M. Ruane".

**SUBJECT:** Back-up Material and Recommendations for October 5, 2011 Meeting

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The following back-up information and recommendations are provided that were not available at the time the agenda was distributed.

**Presentation** by Anne Olin – Enclosed are the slides for her presentation.

**Agenda Item No. 4** – Renewal of Homeless Prevention Program Grants

Enclosed is a revised staff report and exhibit for the item. The Tustin Family Campus item has been eliminated from consideration at this time since an operator has not been confirmed for future operations. However, the program is currently funded through October 2012.

**Item No. 6** – Public Hearing on Annual Audit

Enclosed is the final version of the External Audit. Bound copies should be available at the meeting.

No changes to the proposed Recommended Actions for these items is required as a result of this transmittal.

cc: Commissioners  
Commission Counsel



# Children & Families Commission of Orange County

(a Component Unit of the County of Orange, California)

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

  
[www.occhildrenandfamilies.com](http://www.occhildrenandfamilies.com)



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2011

*Prepared by:*

**Finance Department**

**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, 2011

**Brenda Manriquez, CPA**

**Director of Finance**

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
FOR THE YEAR ENDED JUNE 30, 2011**

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**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
FOR THE YEAR ENDED JUNE 30, 2011**

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October 5, 2011

Board of Commissioners  
Children and Families Commission of Orange County  
17320 Redhill Avenue  
Suite 200  
Irvine, CA 92614

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, 2011, are free of material misstatement. The independent certified public accounting firm has issued an unqualified ("clean") opinion on the Commission's financial statements as of and for the year ended June 30, 2011. 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. Our activities have been built to develop, adopt, promote and implement early childhood development and school readiness programs during the first five years of life. During the first eleven years, the Commission has made a lasting positive impact in Orange County through its expenditures of approximately \$500 million toward grants, programs and operations that improve the well-being of young children and families in Orange County.

## **Relevant Financial Policies**

### Financial Plan

The Long-Term Financial Plan was reviewed and revised in April 2011 to address current economic issues, emerging program needs, future demand on Commission resources and legislative diversion of Prop 10 tobacco tax revenues to the State of California (AB99 legislation). The revised Long-Term Financial Plan decreases program funding from \$39.6 million in FY 2010-2011 to \$31.8 million in FY 2011-2012, and assumes that the AB99 legislation is upheld, resulting in a payment of \$51.4 million to the State of California by June 30, 2012. Tiered reductions to program funding in the following two fiscal years will be implemented in order to reach an annual program funding level of \$28 million in FY 2014-2015. The reduced program funding is consistent with the declining revenue stream and seeks to ultimately match future expenses to future revenues.

The FY 2011-2012 Operating Budget, presented in May 2011, approves an overall spending plan at regular funding levels, as well as a spending plan that is compliant with the AB99 legislation enacted during FY 2010-11. In order to continue funding priority initiatives and community investments, the Commission opted to decrease the funding levels for FY 2011-12 in the event that AB99 legislation is legally upheld. In addition, the Commission will revisit funding levels at a time when the outcome of legal challenges to the enacted legislation is determined.

An amended version of the FY 2011-2012 Operating Budget (AB99 compliant) includes detailed program funding information as well as updated revenue projections and will be presented to the Commission in October 2011.

### Strategic Plan

Although changes in the long-term funding plan were made, the Commission will continue to utilize the Strategic Plan adopted in May 2011 for fiscal year 2011-2012 detailing our continuing commitment to partnering with the Orange County community to improve the lives of expectant parents, children from the prenatal stage through age 5 and their families. This will be the guide by which we will plan, develop, implement and evaluate our activities through 2012.

## **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 budget for fiscal year 2010-2011 was adopted on April 7, 2010. The Executive Director has the discretion to adjust the budget as defined within the budget policy of the Board of Commissioners. Monthly financial updates 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, 2010. This was the second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government 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. We believe that our 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,



Michael M. Ruane  
Executive Director



The Government Finance Officers Association  
of the United States and Canada

*presents this*

## AWARD OF FINANCIAL REPORTING ACHIEVEMENT

*to*

### Finance Department

Children & Families Commission of Orange County, California



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date March 22, 2011

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
BOARD OF COMMISSIONERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**BOARD MEMBERS (9)**

---

Bill Campbell (M)  
Chair/Board of Supervisors

Sandra Barry (A)  
Vice Chair

Maria E. Minon, M.D. (A)  
Chair Pro-tem

Kimberly Cripe (A)

Hugh Hewitt (A)

Crystal Kochendorfer (A)

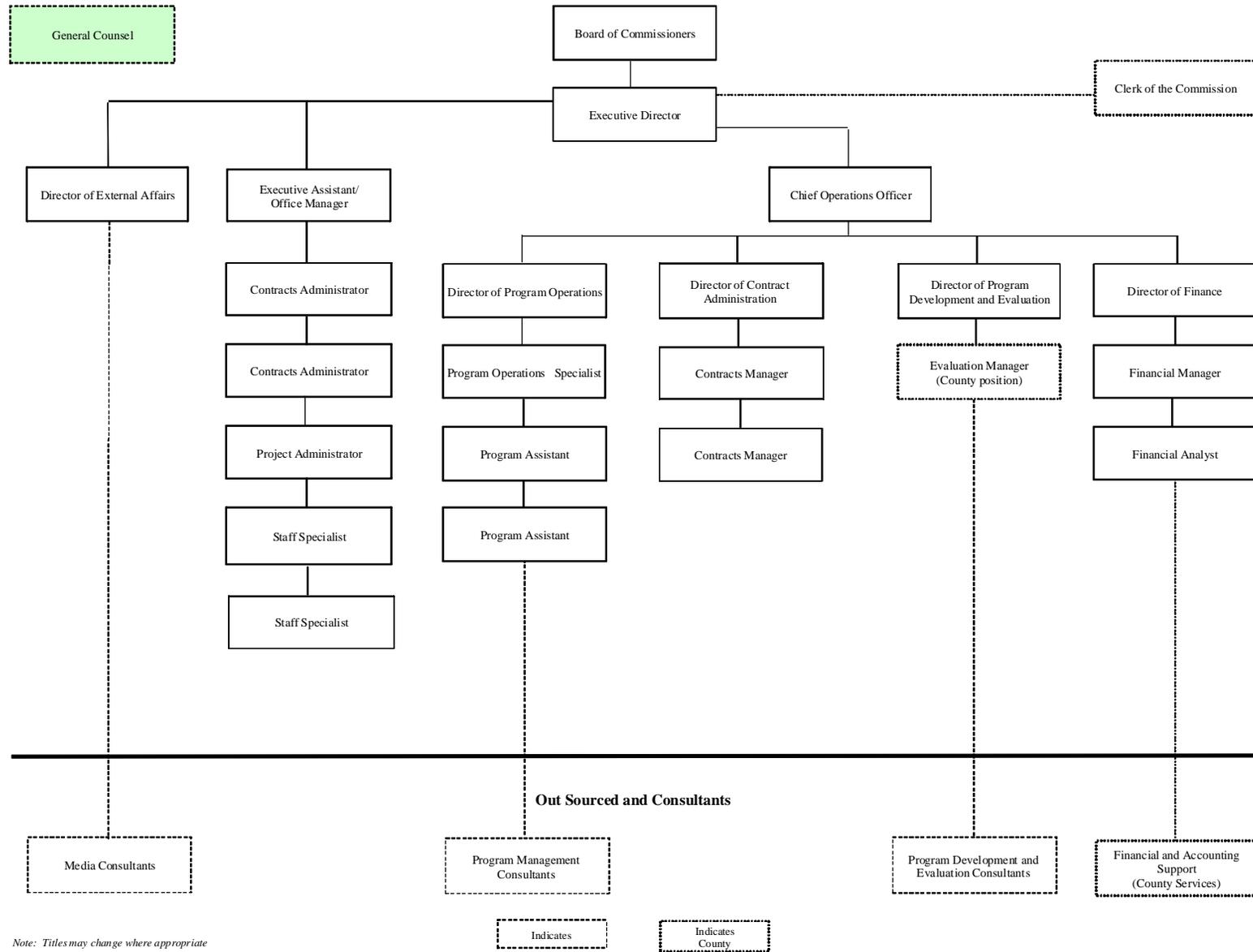
David Riley (M)  
Health Care Agency

Michael L. Riley, Ph.D. (M)  
Social Services Agency

Sally Snyder, R.N. (A)

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

# CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY ORGANIZATION CHART FISCAL YEAR 2010-2011





## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (the Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and budgetary comparison information for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Commission has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 14 and schedule of employer contributions and funding progress and related notes on pages 34 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The accompanying supplementary information, such as the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical section and statistical tables 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 on them.

*Vavrinch, Train, Douglas & Co., LLP*

Laguna Hills, California  
September 30, 2011

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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, 2011. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

**Financial Highlights**

- The assets of the Commission exceeded its liabilities by \$30.1 million at the end of the current fiscal year, a decrease of \$72.8 million (70.7%) from the prior fiscal year. The decrease is primarily due to the establishment of a \$51.4 million liability that complies with the AB99 legislation enacted in the current fiscal year.
- As of June 30, 2011, the Commission's governmental fund statements reported an ending fund balance totaling \$30.0 million, a decrease of \$72.8 million (70.8%) from the prior fiscal year.
- Consistent with the implementation of the GASB 54 pronouncement, the total ending fund balance of \$30.0 million was classified into five categories. The Commission's breakdown is as follows: \$0.4 million as nonspendable, \$35.1 million as committed, and (\$5.5) million as unassigned. With a negative unassigned fund balance, the Commission will require future funding resources in order to meet multi-year contractual commitments at this time.

**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 Assets* presents information on all of the Commission's assets and liabilities with the difference between assets and liabilities reported as net assets. Changes in net assets 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 assets during the fiscal year. All changes in net assets 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).

**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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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 governmental 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**

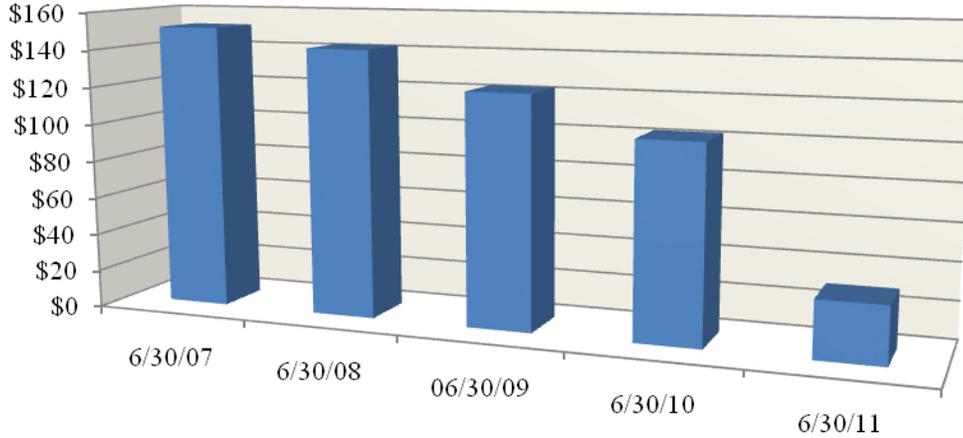
**Net Assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, net assets totaled \$30.1 million at the end of the current fiscal year, a 71% decrease from the prior fiscal year. Following is a summary of the government-wide State of Net Assets comparing balances at June 30, 2011 and June 30, 2010.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<b>Percent Increase (Decrease)</b>
<b>Assets:</b>			
Cash and investments	\$ 90,100,670	\$ 118,725,998	-24%
Imprest cash	15,000	15,000	0%
Accounts receivable	-	4,495	-100%
Interest receivable	87,099	227,223	-62%
Deposits with others	165,488	33,500	394%
Due from County of Orange	-	345,753	-100%
Due from other governments	5,857,799	5,730,649	2%
Prepaid expense	399,279	-	100%
Equipment, net	235	798	-71%
Total assets	<u>\$ 96,625,571</u>	<u>\$ 125,083,416</u>	-23%
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 5,692,916	\$ 7,361,457	-23%
Due to County of Orange	827,625	12,126	6725%
Due to other governments	5,412,394	10,349,318	48%
Due to other governments - AB99	51,369,439	-	100%
Retentions payable	3,098,974	4,326,729	-28%
Long-term liabilities	160,393	190,184	-16%
Total liabilities	<u>66,561,741</u>	<u>22,239,814</u>	199%
<b>Net assets:</b>			
Invested in capital assets	235	798	-71%
Unrestricted	30,063,595	102,842,804	-71%
Total net assets	<u>30,063,830</u>	<u>102,843,602</u>	
Total liabilities and net assets	<u>\$ 96,625,571</u>	<u>\$ 125,083,416</u>	-23%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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

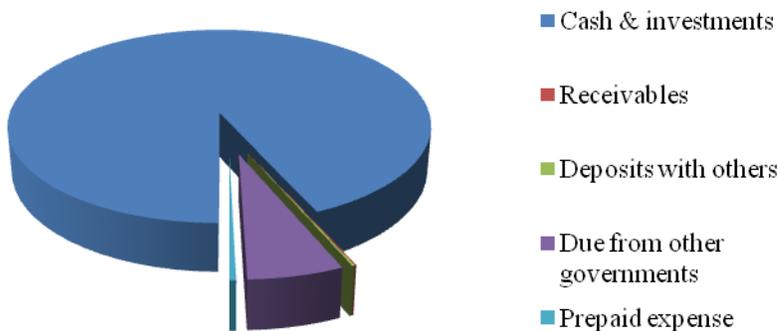


The Commission's net assets as of June 30, 2011 are considered unrestricted and were comprised of the following:

Assets, Current and Other

- Cash and investments totaling \$90.1 million. All of the \$90.1 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 by the Commission's Treasurer for compliance with the Commission's Annual Investment Policy.
- Due from other governments totaling \$5.9 million. Of this amount, \$4.9 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2011 allocations.
- Other current assets totaling \$0.7 million consisting of \$0.1 million in interest receivable, \$0.2 million in deposits with others and \$0.4 million in prepaid expense.

**Current Assets**  
**As of June 30, 2011**

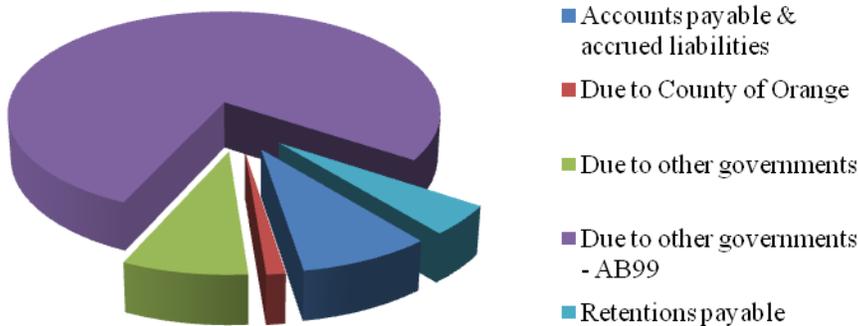


**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

Liabilities

- Accounts payable and due to other governments totaling \$62.4 million. This represented \$11.0 million in payables to grantees for services not yet billed at June 30, 2011 based on established contract terms and a one-time payment of \$51.4 million due to the State as established by AB99 legislation.
- Retentions payable totaling \$3.1 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 \$0.9 million consisting of \$0.8 million in due to the County of Orange and \$0.1 million in accrued wages and benefits.

**Current Liabilities**  
**As of June 30, 2011**



**Changes in Net Assets.** For the year ended June 30, 2011, current year operations decreased the Commission's net assets by \$72.8 million or 266%. The following is a summary of the Commission's Statement of Activities comparing revenues, expenses, extraordinary item and changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

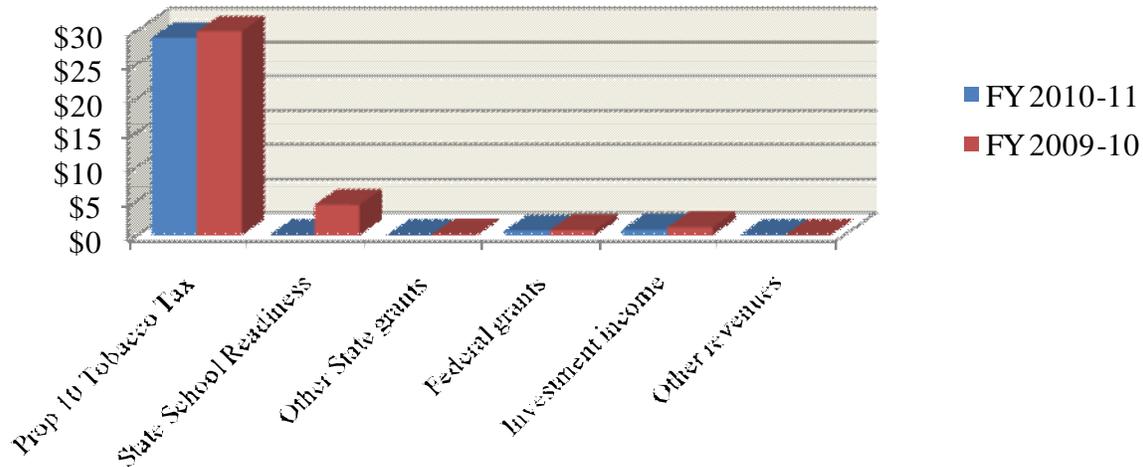
	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Percent Increase (Decrease)</u>
<b>Revenues:</b>			
<b>Program Revenues</b>			
Tobacco taxes	\$ 28,809,921	\$ 29,706,126	-3%
Tobacco taxes for State School Readiness program	-	4,349,489	-100%
Other State operating grants and contributions	-	145,834	-100%
Interest income earned on tobacco taxes at the State	15,331	82,000	-81%
Federal operating grants	641,124	752,152	-15%
Total program revenues	<u>29,466,376</u>	<u>35,035,601</u>	-16%
<b>General Revenues</b>			
Investment income	818,294	1,141,118	-28%
Other revenues	26,983	40,509	-33%
Total general revenues	<u>845,277</u>	<u>1,181,627</u>	-28%
Total revenues	<u>30,311,653</u>	<u>36,217,228</u>	-16%
<b>Expenses:</b>			
0-5 Child development programs	49,431,679	46,836,184	6%
State School Readiness programs	-	6,844,534	-100%
Salaries and benefits	2,290,307	2,415,467	-5%
Total expenses	<u>51,721,986</u>	<u>56,096,185</u>	-8%
<b>Extraordinary item: Accrual of AB99 liability</b>	<u>51,369,439</u>	<u>-</u>	100%
<b>Change in net assets:</b>	(72,779,772)	(19,878,957)	266%
Net assets - July 1	102,843,602	122,722,559	-16%
Net assets - June 30	<u>\$ 30,063,830</u>	<u>\$ 102,843,602</u>	-71%

Total revenues

The Commission's total revenues are comprised of both program revenues and general revenues.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
(Unaudited)  
June 30, 2011

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



- *Program revenues*  
The Commission's program revenues totaled \$29.5 million in FY 2010-11 and accounted for 97.2% of total revenues. This represented a decrease of \$5.5 million (16%) from FY 2009-10 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 \$0.9 million (3%) from the prior fiscal year.
  - The California Children and Families Commission (First 5 California) forecasted a decline of 3-5% each fiscal year in the tobacco tax revenue allocation models. These models are calculated using birthrate data and tobacco sales and usage.
  - In FY 2009-10, the greater decrease than forecasted in tobacco tax revenues was thought to be due to a combination of factors including, but not limited to, an increase in tobacco sales via the internet and purchases outside the State of California, a decrease in the number of smokers and the implementation of a federal tobacco tax in March 2009 (SCHIP).
  - In FY 2010-11, the effects of the shift in tobacco tax purchases and the implementation of the federal tobacco tax appear to have leveled off and the annual decline in revenues has aligned with the State revenue allocation models again.
- Tobacco Tax Revenue for State School Readiness program includes revenues received from the California Children & Families Commission for a state-wide initiative implemented to supplement funding to local schools. This revenue decreased by \$4.3 million (100%) from the prior fiscal year due to the end of the state-wide initiative in FY 2009-2010.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

- Other State operating grants and contributions includes revenue special needs and school readiness grants. This revenue decreased by \$0.1 million (100%) from the prior fiscal year due to the end of the related programs in the prior fiscal year.
- Federal operating grants includes revenues from federal grant programs of VISTA, MAA (Medical Administrative Activities), and ARRA Health and Research grant. These revenues decreased by \$0.1 million (15%) due to the shift in administration of the AmeriCorps program to the State, a reduction in claims related to the MAA program, and the end of the VISTA ARRA grant (American Recovery and Reinvestment Act) in the current fiscal year.

*General revenues*

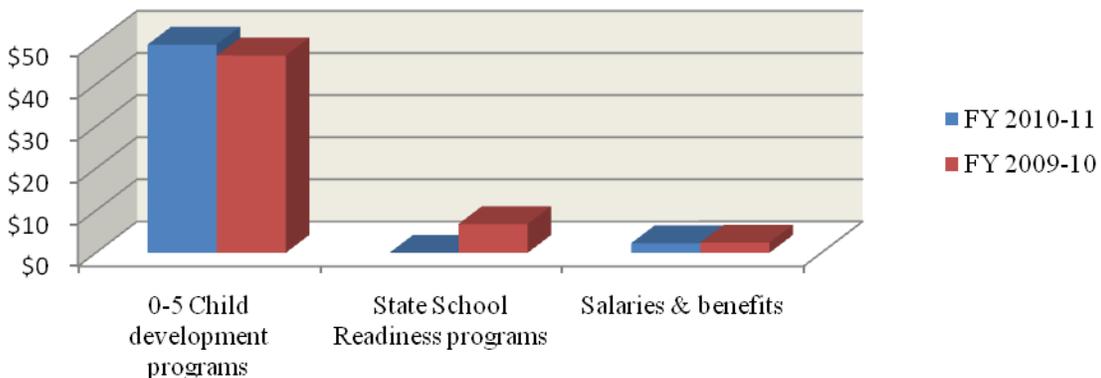
The Commission's general revenues totaled \$0.8 million in FY 2010-11 and accounted for 2.8% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income, royalties and miscellaneous revenues.

- The largest general revenue, investment income, decreased by \$0.3 million (28%) 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 lower returns in the fixed income markets combined with less available investable cash balances. During FY 2010-11, OCIP had an annual average yield of 0.67% in comparison to an annual average yield of 1.02% in FY 2009-10.

Governmental Activities Expenses

Total expenses decreased by \$4.3 million (8%) from the prior fiscal year. The net decrease is comprised of increased expenses of \$2.6 million in 0-5 Child development programs, offset by decreased expenses of \$6.8 million in State School Readiness program and \$0.1 million in salaries and benefits.

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



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

- 0-5 Child development programs increased by \$2.5 million (6%) 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. Contributing to the increase in FY 2010-11 is increased spending on Pediatric Health Services programs (\$0.2 million), and Fitness/Nutrition programs (\$5.1 million), offset by decreased spending on Homeless Prevention programs (\$0.7 million), AmeriCorps/Vista program (\$1.0 million), Evaluation & Reporting expenses (\$0.5 million) and Administrative expenses (\$0.2 million).
- State School Readiness program expenses decreased by \$6.8 million (100%) from the prior fiscal year due to the end of the state-wide initiative in FY 2009-10.
- Salaries and benefits decreased by \$0.1 million (5%) from the prior fiscal year due to vacant positions resulting in salary savings offset by increases in retirement and benefit costs in the current fiscal year.

Extraordinary Item

The extraordinary item - AB99 liability was a one-time increase in total expenses of \$51.4 million due to the passage of the legislation in the current fiscal year to offset the State's budget deficit in Health and Human Services programs. The legislation is currently being litigated; however, the payment is due by June 30, 2012 and has been accrued accordingly.

**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.

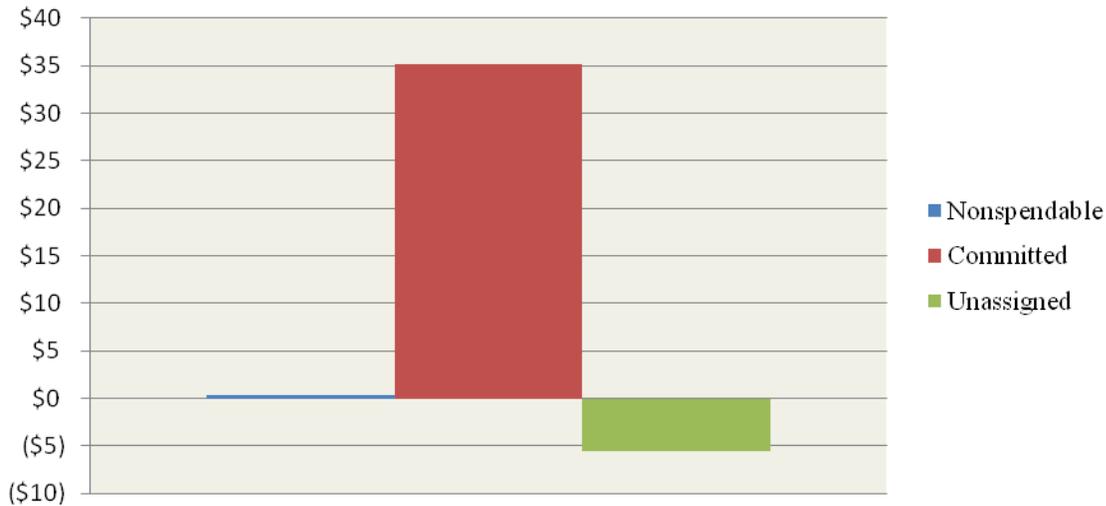
**Governmental Funds.** The general government functions are contained in the general fund of the Commission. The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's 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 \$30 million, a decrease of \$72.8 million (71%) in comparison with the prior fiscal year.

Total fund balance decreased due to the one-time AB99 liability accrual (see notes to the financial statements for further detail) and the use of \$21.3 million in fund balance reserves to bridge the gap between current year revenue and expenditures.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

**Fund Balance Classifications**  
**As of June 30, 2011**  
**(\$ in millions)**



**General Fund Budgetary Highlights**

**Budget Amendments.** The budget amendments are approved annually during the 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 decreased by \$622,000 in the Prop 10 tobacco tax revenue line item. The decrease was based on mid-year trends reported by the California Children & Families Commission and actual receipts of tobacco tax distributions.
- Total budgeted appropriations were increased by \$8,867,389 in the 0-5 child development program expenditures line item. The major components of the increase are summarized as follows:
  - Health Access and Education – increase of \$945,000 comprised of \$0.4 million of carryover of prior year unspent funds, \$0.5 million of new appropriations for increased capacity through facility expansion, and \$0.2 million of new appropriations for new programs at the YMCA facility opened in FY 2010-11.
  - Fitness/Nutrition – increase of \$6,519,500 for the carryover over of prior year unspent funds related to the YMCA program facility that was paid out in FY 2010-11.
  - Ready to Learn - increase of \$1,296,575 in early literacy and early learning programs not included in original budget due to realignment of program contracts.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
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**June 30, 2011**

**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 2010-11 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total budgeted revenues exceeded actual revenues in FY 2010-11 by \$1.0 million (3%). Decreases in actual Prop 10 tobacco tax revenues and investment income comprised the bulk of the variance. Prop 10 tobacco taxes were lower than expected due to decreased tobacco sales, and investment income had lower actual rates of return.
- Total budgeted appropriations exceeded actual expenditures in FY 2010-11 by \$3.9 million.
  - 0-5 child development program expenditures were less than budgeted appropriations by \$3.7 million. During the fiscal year, savings in all four strategic goal areas were negotiated by the Commission within the grantees' current contracts in order to prepare for reduced funding as a result of the AB99 legislation implementation. In addition, actions to reduce administrative functions (other than salaries and benefits) were also taken during the fiscal year. The savings are detailed as follows:
    - Healthy Children – \$1.4 million (including Health Access/Education and School Readiness Nursing programs)
    - Strong Families - \$1.4 million (including Homeless Prevention and Family Support Services)
    - Ready to Learn - \$0.9 million (including School Readiness and Early Literacy programs)
    - Administrative functions - \$0.4 million (including Professional and Technical Services and Strategic Communications)
  - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.2 million. Salary savings resulted from positions not filled during the current fiscal year.

**FY 2011-12 Operating Budget**

The Fiscal Year 2011-12 Operating Budget was adopted by the Commission in May 2011. Due to the pending litigation regarding AB99, the Commission adopted an AB99 compliant budget which included reductions to program funding based on the assumption that approximately \$51 million will be paid to the State by June 30, 2012. The total budgeted appropriations are approximately \$35.3 million, which is a net decrease of \$20.2 million (36.4%) from the final adopted Fiscal Year 2010-11 Operating Budget. The net decrease reflects the impact of the following:

- \$20.8 million (41.0%) decrease in 0-5 child development program funding. Recommendations were made by funding review panels and approved by the Commission. Recommendation factors included the following:
  - Impact to fewest number of children
  - Protection of critical services to the most at-risk and vulnerable children
  - Capacity of program continuance, absent Commission funding
  - Degree to which Commission funding provides leverage for drawdown of state and federal funding

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
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**(Unaudited)**  
**June 30, 2011**

- \$1.0 million (24%) decrease in administrative functions comprised of reductions in professional/technical services (\$0.3 million), Commission salaries and benefits (\$0.4 million), strategic communications (\$0.2 million) and office supplies (\$0.1 million).
- \$1.8 million (100%) increase in one-time catalytic set-aside. The one-time allocation will support the transition of direct health services, including clinical and specialty services, and will be re-evaluated mid-year based on the FY 2011-12 first and second quarter actual revenues.

**Related Events**

The State projects a continuing decrease of State Tax Allocations revenue and a decrease in the share allocated to the Children and Families Commission of Orange County due to a proportionally lower birth rate combining for a projected annual revenue decrease estimated at 3% per year.

The State of California continues to experience fiscal difficulties in Fiscal Year 2011-2012. The Commission has continued partnering with the County of Orange to identify potential reductions to safety net services in the FY 2011-12 State Budget and to incorporate those needs into the ongoing review of the Commission's financial plan.

**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, 2011. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Children & Families Commission of Orange County, 17320 Red Hill Avenue, Suite 200, Irvine, California 92614.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 90,100,671
Imprest cash	15,000
Interest receivable	87,099
Deposits with others	165,488
Due from other governments	5,857,799
Prepaid expense	399,279
Capital assets, net of accumulated depreciation	235
<b>TOTAL ASSETS</b>	<b>96,625,571</b>
<b>LIABILITIES</b>	
Accounts payable	5,608,886
Due to County of Orange	827,625
Due to other governments	5,412,394
Due to State of California- AB99	51,369,439
Retentions payable	3,098,974
Accrued wages and benefits	84,030
Compensated absences:	
Payable within one year	100,267
Payable after one year	60,126
<b>TOTAL LIABILITIES</b>	<b>66,561,741</b>
<b>NET ASSETS</b>	
Invested in capital assets	235
Unrestricted	30,063,595
<b>TOTAL NET ASSETS</b>	<b>\$ 30,063,830</b>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2011**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental Activities:			
Child development	\$ 51,721,985	\$ 29,466,374	\$ (22,255,610)
General Revenues:			
Investment income			818,294
Miscellaneous			26,983
Extraordinary Item:			
AB99 liability			(51,369,439)
Total General Revenues and Extraordinary Item			(50,524,162)
Change in Net Assets			(72,779,772)
Net Assets, July 1			102,843,602
Net Assets, June 30			\$ 30,063,830

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
GOVERNMENTAL FUND BALANCE SHEET**

**JUNE 30, 2011**

	General Fund
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 90,100,671
Imprest cash	15,000
Interest receivable	87,099
Deposits with others	165,488
Due from other governments	5,857,799
Prepaid expense	399,279
	<u>399,279</u>
Total Assets	<u>\$ 96,625,336</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 5,608,886
Due to County of Orange	827,625
Due to other governments	5,412,394
Due to State of California- AB99	51,369,439
Retentions payable	3,098,974
Accrued wages and benefits	84,030
Deferred revenue	248,513
	<u>248,513</u>
Total Liabilities	<u>66,649,862</u>
<b>FUND BALANCES</b>	
Nonspendable fund balance	399,279
Committed fund balance	35,123,581
Unassigned fund balance	(5,547,384)
	<u>(5,547,384)</u>
Total Fund Balances	<u>29,975,476</u>
Total Liabilities and Fund Balances	<u>\$ 96,625,336</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

Fund balances of governmental funds	\$ 29,975,476
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	235
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(160,393)
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.	<u>248,513</u>
Net Assets of governmental activities	<u><u>\$ 30,063,830</u></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, 2011**

	<u>General Fund</u>
<b>REVENUES</b>	
Prop 10 Tobacco Tax	\$ 28,809,920
Investment income earned on tobacco taxes at the State level	15,331
Federal operating grants	686,722
Investment income	818,294
Other revenue	26,983
	<u>30,357,250</u>
<b>EXPENDITURES</b>	
Current:	
Salaries and benefits	2,320,098
Expenditures related to the "Zero to Five" Program	49,431,114
	<u>51,751,212</u>
Total Expenditures	<u>51,751,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,393,962)</u>
<b>EXTRAORDINARY ITEM</b>	
Accrual of AB99 liability	<u>(51,369,439)</u>
Change in Fund Balance	(72,763,401)
FUND BALANCE, July 1	<u>102,738,877</u>
FUND BALANCE, June 30	<u>\$ 29,975,476</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
RECONCILIATION OF THE CHANGE IN FUND BALANCE  
TO THE CHANGE IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2011**

Net changes in fund balance - total governmental funds	\$ (72,763,401)
<p>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:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.</p>	
Depreciation expense	(563)
<p>Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.</p>	
	29,791
<p>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.</p>	
	<u>(45,599)</u>
Change in net assets of governmental activities	<u><u>\$ (72,779,772)</u></u>

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, 2011**

	Budgeted Amouts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Prop 10 Tobacco Tax	\$ 30,122,000	\$ 29,500,000	\$ 28,809,920	\$ (690,080)
Investment income earned on tobacco taxes at the State level	125,000	125,000	15,331	(109,669)
Federal operating grants	660,000	660,000	686,722	26,722
Investment income	1,100,000	1,100,000	818,294	(281,706)
Other revenue	-	-	26,983	26,983
Total Revenues	<u>32,007,000</u>	<u>31,385,000</u>	<u>30,357,250</u>	<u>(1,027,751)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	2,495,502	2,495,502	2,320,098	175,404
Expenditures related to the "Zero to Five" Program	44,257,003	53,124,392	49,431,114	3,693,278
Capital outlay	53,000	53,000	-	53,000
Total Expenditures	<u>46,805,505</u>	<u>55,672,894</u>	<u>51,751,212</u>	<u>3,921,682</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(21,393,962)</u>	<u>21,393,962</u>
<b>EXTRAORDINARY ITEM</b>				
Accrual of AB99 liability	-	-	(51,369,439)	51,369,439
Net Change in Fund Balance	(14,798,505)	(24,287,894)	(72,763,401)	54,263,369
FUND BALANCE, July 1	<u>102,738,877</u>	<u>102,738,877</u>	<u>102,738,877</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 87,940,372</u>	<u>\$ 78,450,983</u>	<u>\$ 29,975,476</u>	<u>\$ 54,263,369</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, 2011**

**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 assets 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 and liabilities of the Commission are included on the statement of net assets. The difference between the Commission's assets and liabilities of net assets. Net assets represent the resources the Commission has available for use in providing services. The Commission's net assets are classified as follows:

Invested in Capital Assets – This amount represents the Commission's capital assets, net of accumulated depreciation.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

Government-Wide Financial Statements (Continued)

Unrestricted – This category represents neither restrictions or invested in capital assets and may be used by the Commission for any purpose though they may not be necessarily liquid.

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 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 net current assets. 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.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

**Capital assets, net of accumulated depreciation**

Equipment is not considered to be financial resources 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.

Depreciation expense for the year ended June 30, 2011 amounted to \$563 and is included in the child development function in the statement of activities.

**Deferred Revenue**

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 deferred at year-end in the fund financial statements. Deferred revenue of \$248,513 at June 30, 2011 was recognized as revenue in the government-wide financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

**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.

**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. The Commission's significant estimates are recorded in accounts payable and due to other governments and pertain to accruals for services provided by grantees and vendors but not invoiced as of June 30, 2011.

**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, 2011, 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.

**Fund Balance**

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes 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 in FY 2010-2011, the Commission established the following classifications and definitions of fund balance for the year ended June 30, 2011:

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).

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

**Fund Balance (Continued)**

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, evidenced by the Commission’s formal action (resolution), 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. Includes legally enforceable multi-year contracts not yet spent, specific agreements approved but not yet executed.

Assigned – Resources with self-imposed limitations but do not require approval by the highest level of decision making authority or the same level of formal action to remove or modify limitations. The Executive Director has authority to approve contracts up to \$50,000, such contracts would be classified as assigned. Also 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.

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

Minimum Fund Balance Policy

The policy of the Commission is to maintain a minimum fund balance equal to 25% of the Commission’s annual operating budget. The fund balance will be used to mitigate the impact on contracted services due to unanticipated circumstances and events, provide adequate resources for cash flow, and to mitigate short-term effects of revenue shortages. The amount of the minimum fund balance is subject to approval by the Board of Commissioners as part of the annual budget adoption. At June 30, 2011, the Commission did not maintain the minimum fund balance due to the accrual of the AB99 payment due to the State.

Refer to Note 8 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. Unencumbered appropriations lapse at the end of the fiscal year.

**Effect of New Governmental Accounting Standards Board (GASB) Pronouncements**

GASB Statement No. 54 – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes 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. This statement is effective in June 30, 2011. The Commission has implemented this statement for the fiscal year ended June 30, 2011.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

**Effect of New Governmental Accounting Standards Board (GASB) Pronouncements (Continued)**

GASB Statement No. 57 – In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement addresses the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements. This statement is effective in June 30, 2011. The Commission has determined that this statement is not applicable.

GASB Statement No. 59 – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is effective in June 30, 2011. The Commission has determined that this statement is not applicable.

GASB Statement No. 61 – In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement is to results in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement is not effective until June 30, 2013. The Commission has not determined the effect of this statement.

GASB Statement No. 62 – In June 2011, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with our contradict GASB pronouncements. This statement is not effective until June 30, 2013. The Commission has not determined the effect of this statement.

GASB Statement No. 63 – In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This statement is not effective until June 30, 2013. The Commission has not determined the effect of this statement.

GASB Statement No. 64 – In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is not effective until June 30, 2012. The Commission has not determined the effect of this statement.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS**

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

Cash and investments in County Treasury	\$ 90,100,670
Imprest Cash	15,000
Total Cash and Investments	\$ 90,115,670

Cash and investments consisted of the following at June 30, 2011:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 90,100,670
Imprest Cash	15,000
Total Cash and Investments	\$ 90,115,670

Investments Authorized by the California Government Code and the Commission’s Investment Policy

The table below identifies the investment types that are authorized by the California Government Code or the Commission’s investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the Commission’s investment policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Securities	N/A	None	30%
Commercial Paper	N/A	25%	5%
Negotiable Certificates of Deposit	N/A	30%	5%
Repurchase Agreements	N/A	50%	5%
Banker's Acceptances	N/A	40%	30%
Money Market Mutual Funds	5 years	20%	None
Municipal Debt	N/A	30%	5%
Asset Backed Securities	N/A	10%	5%
Medium-Term Notes	N/A	30%	5%
Orange County Investment Pool	397 days	None	None

The Commission’s deposit in the Orange County Treasurer’s Money Market Fund of the Investment Pool (Pool) is similar to a demand deposit and amounts can be withdrawn at any time without prior written notice. The County’s Investment Policy Statement establishes policies governing the Pool. Interest is apportioned to the Commission monthly based on the average daily balances on deposit with the County Treasurer. The County Treasury Oversight Committee, established in December 1995, conducts Pool oversight. The weighted average maturity of the Pool is approximately 342 days as of June 30, 2011. The Commission’s equity in the Pool was 2.89% of the total Pool. For further information regarding the Orange County Investment Pool, refer to the County of Orange Comprehensive Annual Financial Report.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Cash on deposit with the Treasurer at June 30, 2011 is stated at fair value. The Pool values participant shares on an amortized cost basis during the year and adjusts the value at year-end to fair value based on quoted market prices and matrix pricing. The fair value adjustment at June 30, 2011 increased the Commission’s investment income by \$42,599. Investments in pools managed by other governments are not subject to categorization because they are not evidenced by securities that exist in physical or book entry form.

Credit Risk

The County Treasurer’s Investment Policy limits investments in any specific purpose investment portfolio to the short-term category to mitigate interest rate risk and defines a minimum credit rating from Moody’s and Standard & Poors (S&P) for issuers of financial instruments to minimize credit risk. For an issuer of short-term debt, the rating must be no less than P-1 (Moody’s) or A-1 (S&P) while an issuer of long-term debt shall be rated no less than A. At June 30, 2011, the Orange County Investment Pool was assigned by S&P at a AAAM Principal Stability Fund Rating.

The Commission’s credit risk policy for investments under the Specific Long-Term Investment Program (SL-TIP) are limited to the following ratings:

<u>Investment Type</u>	<u>Minimum Rating</u>
Short term debt	A-1, P-1, F1
Long term debt	AA/AAA
Repurchase agreements	A-1

**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, 2011, were as follows:

Due from State Commission:	
Prop 10 revenue for:	
May 2011	\$ 2,542,798
June 2011	2,654,240
Surplus Money Investment Fund Allocations	15,331
Due from other governmental agencies for:	
Medi-Cal Administrative Activities (MAA)	520,327
ARRA Health Research Grant	35,189
Vista funds	89,914
Total Due from Other Governments	<u>\$ 5,857,799</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4 – CAPITAL ASSETS**

The capital assets balance at June 30, 2011 consists of the following activity:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets depreciable:				
Equipment	\$ 26,783	\$ -	\$ -	\$ 26,783
Less accumulated depreciation:				
Equipment	(25,985)	(563)	-	(26,548)
Total Capital Assets (Net)	<u>\$ 798</u>	<u>\$ (563)</u>	<u>\$ -</u>	<u>\$ 235</u>

**NOTE 5 – DUE TO OTHER GOVERNMENTS**

The due to other governments account represents amounts due to the State of California and other local governmental agencies. The amounts due to the other governments at June 30, 2011, were as follows:

Due to local government agencies:	
FY 2010-2011 Contract Payment Accruals	<u>\$ 5,412,394</u>

**NOTE 6 – DUE TO STATE OF CALIFORNIA/EXTRAORDINARY ITEM**

On March 24, 2011, the governor signed Assembly Bill 99 (AB99) into law. AB 99 established the Children and Families Health and Human Services Fund (Fund). As specified in the legislation, the Fund will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires \$1 billion of the combined state and local children and families funds to be deposited in the Fund for the 2011-12 fiscal year. The amount required from each first five commission (AB 99 payment) represents 50% of the fund balance as of June 30, 2010. For the Orange County Children and Families Commission, the AB 99 liability amount is \$51,369,439 and is due by June 30, 2012. In accordance with the legislation, no 2012-2013 commission revenues will be paid until the full AB 99 payment is made. Accordingly, the commission has accrued the AB 99 obligation as a liability at June 30, 2011. The AB 99 liability has been reflected as an extraordinary item in the financial statements.

A lawsuit has been filed by the Commission against the State challenging that the AB 99 bill violates the intent of Proposition 10. Refer to Note 9 for additional details.

Due to State of California:	
AB99 liability payment due 6/30/12	<u>\$ 51,369,439</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 7 – COMPENSATED ABSENCES**

The vested compensated absences liability balance at June 30, 2011 consists of the following activity:

<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
\$ 190,184	\$ 129,276	\$ 159,067	\$ 160,393	\$ 100,267

**NOTE 8 – FUND BALANCE (GASB 54)**

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes 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. The Commission established these fund balance classifications in FY 2010-2011 and the balances at June 30, 2011 consist of the following:

Nonspendable:		
Prepaid retirement		\$ 399,279
Committed for:		
Contractual obligations		35,123,581
Unassigned		<u>(5,547,384)</u>
Total Fund Balance		<u>\$ 29,975,476</u>

The committed Fund Balance exceeds Total Fund Balance by \$5,547,384. As a result, the Commission will be reviewing its committed Fund Balance in the 2011-12 fiscal year to consider reallocations in order to eliminate the negative Unassigned Fund Balance.

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2011-2012. Refer to Note 10 for further details.

Committed for contractual obligations – consists of contract amounts approved and executed as of June 30, 2011 for FY 2011-2012 and balances remaining on contracts for FY 2010-2011. Total encumbrances outstanding as of June 30, 2011 were \$12,797,593.

**NOTE 9 – 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 except as discussed below.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 9 – CONTINGENCIES (Continued)**

AB99 was signed into effect on March 24, 2011 requiring \$1 billion of the combined state and local children and families funds to be deposited in the Children and Families Health and Human Services Fund for the 2011-12 fiscal year. The amount required from each first five commission (AB 99 payment) represents 50% of the fund balance as of June 30, 2010. For the Orange County Children and Families Commission, the AB 99 liability amount is \$51,369,439 and is due by June 30, 2012. Twelve First 5 Commissions, including the Children and Families Commission of Orange County, have filed a lawsuit against the State challenging the legality of Assembly Bill 99 (AB99). On August 30, the Fresno Superior Court heard arguments from the attorneys for the First 5 Commissions. The Commission recorded the obligation under AB99 pending the outcome of the lawsuit.

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

*Plan Description.* All full-time employees of the Commission participate in the Orange County Employees Retirement System (OCERS), which is a cost-sharing, multiple-employer, defined benefit pension plan. OCERS provides for retirement, death, disability and cost-of-living benefits, and is subject to the provisions of the County Employees Retirement Act of 1937 and other applicable statutes.

Members employed by the County of Orange or a participating agency prior to September 21, 1979, are designated as Tier I members. Members employed after September 21, 1979 are designated as Tier II members. The establishment of Tier II resulted in a reduced allowance beginning at age 50. A member's retirement allowance is based upon the member's age at retirement, final compensation and the total years of service under the system. If an employee terminates before rendering five years of service under the system, the employee forfeits the right to receive benefits and is entitled to withdraw employee contributions made together with accumulated interest. If an employee terminates after five years of service, the employee may elect to leave the accumulated deposits in the retirement fund and be granted a deferred retirement allowance at the time the member would have been entitled to the allowance if service had been continued. OCERS issues a stand-alone annual financial report, which can be obtained by writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, California 92702. Certain required supplemental information for OCERS has been included in the RSI.

*Funding Policy.* In accordance with County Board of Supervisors resolutions establishing contribution rates, the Commission makes periodic contributions to OCERS in amounts such that, when combined with employees' contributions and investment income, will fully provide for all employees' benefits by the time they retire. The Commission's contribution rate as a percentage of payroll for General members was 29.85% for the year ended June 30, 2011. Members are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. For Tier I members, the normal rate of contribution is based on the member's age at entry in OCERS, and is calculated to provide an annual annuity equal to 1/200 of the member's "final compensation" for each year of service rendered at age 60 for General members. For Tier II General members, the rate of contribution is calculated to provide an annual annuity equal to 1/120 of the member's "final compensation" for each year of service rendered at age 60. The member average contribution rate was approximately 6.4% for the year ended June 30, 2011.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

The Commission’s annual required contribution to OCERS was \$431,625 for the year ended June 30, 2011. The Commission’s actual and actuarially required contributions were as follows:

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2009	\$ 435,600	100.00%
6/30/2010	404,289	100.00%
6/30/2011	431,625	100.00%

*Prepayment of 2011-2012 contributions.* In January 2011, the OCERS Board of Retirement authorized the offer of a 7.75% discount to plan sponsors for the early payment of their employer contributions for FY 2011-2012. With the average interest yield of the Orange County Investment Pool (OCIP) continuing to remain flat at an estimate 1.2%, most plan sponsors opted to participate in the early payment plan and have pre-paid 100% of their estimate employer contribution for FY 2011-2012. The Commission’s estimated total employer contribution for FY 2011-12 at \$432,823 and the discounted pre-payment at \$399,279. This pre-payment was considered a prudent multi-year budgeting decision that amounted to an administrative cost savings of approximately \$33,500. The Commission authorized the pre-payment in January 2011 once it was determined that the 10% administrative expenditure cap would not be exceeded and the Commission’s financial position would not be negatively impacted.

**NOTE 11 – COMMITMENTS**

The Commission leases office space from a third party under a long-term operating lease, which expires on September 30, 2014 (FY 2014-15). The future minimum rental payments due under the lease are as follows.

2012	\$ 197,196
2013	197,196
2014	197,196
2015	49,299
	<u>\$ 640,887</u>

Rent expense was \$197,196 for the year ended June 30, 2011.

**NOTE 12 – 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, 2011 was \$49,605. The Commission incurred expenses totaling \$674,221 for all other County services provided during the year ended June 30, 2011. Of the \$827,625 owed to the County of Orange, related party transactions at June 30, 2011 was \$19,438 and the remaining \$808,187 was for Health Care Agency and Social Services Agency program expenses.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 13 – 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, 2011, the Commission expended \$817,868 for program evaluation.

**NOTE 14 – 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 2010-2011 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.

*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, 2011, the Commission was required to contribute 2.7% 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, 2011 were \$38,023 which equaled the required contributions.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2009	\$ 42,960	100.00%
6/30/2010	28,404	100.00%
6/30/2011	38,023	100.00%

Plan members are currently not required to contribute to the plan but retirees are required to pay for the cost of retiree medical benefits in excess of their grant amount.

For additional details, actuarial assumptions, funded status of the plan and required supplementary information refer to the County’s CAFR.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 JUNE 30, 2011**

**Orange County Employees Retirement System**

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<b>Plan Year Ended December 31</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions <sup>(1)</sup></b>	<b>Percentage Contributed</b>
2005	227,892,000	227,892,000	100.0%
2006	277,368,000	277,368,000	100.0%
2007	326,736,000	326,736,000	100.0%
2008	359,673,000	360,365,000 <sup>(2)</sup>	100.2%
2009	337,496,000	338,387,000 <sup>(3)</sup>	100.3%
2010	372,437,000	372,437,000	100.0%

<sup>(1)</sup> Excludes transfers from County Investment Account. See below.

<b>Plan Year Ended December 31</b>	<b>Transfers from County Investment Account</b>
2005	9,675,000
2006	0 *
2007	0
2008	0
2009	34,900,000
2010	11,000,000

\* Revised based on information provided in 2011 as part of the reallocation of contributions and benefit payments by Rate Group.

<sup>(2)</sup> Revised based on information provided in 2011 as part of the reallocation of contributions and benefit payments by Rate Group.

<sup>(3)</sup> Includes \$891,000 in additional contributions made by OCFA towards the reduction of their UAAL.

See accompanying note to the required supplementary information.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2011**

**Orange County Employees Retirement System**

<b>Actuarial Valuation Date December 31</b>	<b>Valuation Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
2005	5,786,617,000	8,089,627,000	2,303,010,000	71.53%	1,276,764,000	180.38%
2006	6,466,085,000	8,765,045,000	2,298,960,000	73.77%	1,322,952,000	173.78%
2007	7,288,900,000	9,838,686,000	2,549,786,000	74.08%	1,457,159,000	174.98%
2008	7,748,380,000	10,860,715,000	3,112,335,000	71.34%	1,569,764,000	198.27%
2009	8,154,687,000	11,858,578,000	3,703,891,000	68.77%	1,618,491,000	228.85%
2010	8,672,592,000	12,425,873,000	3,753,281,000	69.79%	1,579,239,000	237.66%

See accompanying note to the required supplementary information.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
INFORMATION FOR THE ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

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<b>Valuation Date</b>	December 31, 2010
<b>Actuarial cost method</b>	Entry Age Normal Actuarial Cost Method
<b>Amortization method</b>	Level percent of payroll for total unfunded liability (3.50% payroll growth assumed)
<b>Remaining amortization period</b>	24 years closed (declining) amortization of outstanding balance of December 31, 2004 UAAL. The outstanding balance of the UAAL established in the December 31, 2009 valuation as a result of including additional premium pay items as pensionable salary and the new UAAL established in the December 31, 2010 valuation as a result of reallocating contributions and benefit payments among Rate Groups are also amortized over a 24-year period, in the December 31, 2010 valuation. Any increases or decreases in UAAL that arise in future years due to actuarial gains or losses will be amortized over separate 15-year periods. Any increases or decreases in UAAL due to changes in actuarial assumptions are amortized over separate 30-year periods.
<b>Asset valuation method</b>	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected return on a market value basis, and is recognized over a five-year period. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

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**Actuarial assumptions:**

Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.00%
Projected salary increases*	4.50% to 11.50% for General members; 4.50% to 13.50% for Safety members based on service.
Cost of living adjustments	3.00%

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**Plan membership:**

Retired members and beneficiaries	12,762
Terminated members entitled to, but not yet receiving benefits	4,308
Active members	<u>21,742</u>
Total	<u>38,812</u>

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See accompanying note to the required supplementary information.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 – ORANGE COUNTY EMPLOYEES’ RETIREMENT SYSTEM (OCERS)**

The Commission participates in the Orange County Employees Retirement System (OCERS), which is a cost-sharing, multiple-employer, defined benefit pension plan. OCERS issues a stand-alone annual financial report, but production of the year ended December 31, 2010 report has been delayed and is not publicly available.

The included schedule of funding progress and schedule of employer contributions with related notes is presented at the OCERS plan level. As a cost-sharing participant, the Commission’s annual required contribution for the year ended December 31, 2010 was approximately .11% of the OCERS total annual required contribution of \$372,437,000. OCERS reported a total of 21,742 active members which includes 15 Commission employees.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATISTICAL SECTION <sup>(1)</sup>  
(UNAUDITED)**

The information in this section is not covered by the Independent Auditor's 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.

	<u>Pages</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	39
<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the Commission's most significant revenue base.	43
<u>Demographic Information</u> 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.	46
<u>Operating Information</u> This schedule contains data to help the reader understand how the Information in the Commission's financial report relates to the services the Commission performs.	50

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS\***

	<b>Fiscal Year</b>						
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Restricted			\$ 122,720,258	\$ 142,142,025	\$ 151,578,753	\$ 152,265,738	\$ 146,184,260
Invested in capital assets	\$ 235	\$ 798	2,301	5,121	7,942	11,419	16,213
Unrestricted <sup>(1)</sup>	30,063,595	102,842,804					
Total net assets	<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>	<u>\$ 146,200,473</u>

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

(1) In fiscal year 2010, the Commission presented the information as unrestricted.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS\***

	<u>Fiscal Year</u>						
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:							
Prop 10 Tobacco taxes	\$ 28,809,921	\$ 29,706,126	\$ 33,396,055	\$ 35,494,096	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
Prop 10 State School Readiness	-	4,349,489	4,294,144	4,114,774	1,706,125	2,554,681	3,698,878
Other State operating grants and contributions	-	145,834	104,166	352,597	669,897	330,598	476,537
Investment income earned on tobacco taxes at the State Level (SMIF)	15,331	82,000	82,479	190,332	430,669	203,588	871,949
Federal operating grants	641,124	752,152	1,020,269	1,020,556	2,237,302	307,741	4,601,132
Investment income	818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
Other revenue	26,983	40,509	210,659	148,113	41,527	176,257	210,602
Total revenues	<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>53,533,327</u>
Expenses:							
Current:							
Salaries and benefits	2,290,308	2,415,467	2,439,415	2,323,471	2,258,080	2,241,058	1,675,442
Expenses related to "Zero to Five" Program	49,431,678	46,836,184	54,377,591	51,331,591	42,972,440	36,171,992	46,969,598
Services and supplies for State School Readiness program		6,844,534	5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
Extraordinary Item: Accrual of AB99 liability	51,369,439						
Total expenses	<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>	<u>52,878,003</u>
Change in net assets	<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>	<u>\$ 655,324</u>

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FUND BALANCES - GENERAL FUND  
LAST SEVEN FISCAL YEARS\***

	Fiscal Year						
	2011**	2010	2009	2008	2007	2006	2005
Reserved							
Reserved for imprest fund		\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -
Reserved for encumbrances		43,044,502	70,245,812	2,207,285	22,151,367	20,116,494	16,586,404
Reserved for contractual obligations		24,677,280	27,017,022	68,027,433	-	33,553,325	32,771,294
Reserved for capital projects		2,500,050	4,000,000	5,000,000	-	-	-
Reserved for First 5 California initiatives				8,690,731	5,378,112		
Unreserved							
Designated for program operations		2,495,502	3,128,463	-	-	-	-
Designated for future funding cycles and operating budget		30,006,543	18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ 102,738,877</b>	<b>\$ 122,521,616</b>	<b>\$ 142,192,579</b>	<b>\$ 151,474,018</b>	<b>\$ 143,409,869</b>	<b>\$ 139,097,748</b>

	Fiscal Year						
	2011**	2010	2009	2008	2007	2006	2005
<b>FUND BALANCES</b>							
Nonspendable fund balance	\$ 399,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted fund balance	-	-	-	8,690,731	5,378,112	-	-
Committed fund balance	35,123,581	67,721,782	97,262,834	70,234,718	22,151,367	53,669,819	49,357,698
Assigned fund balance		5,010,552	7,143,463	5,015,000	15,000	-	-
Unassigned fund balance	(5,547,385)	30,006,543	18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
<b>Total fund balances</b>	<b>\$ 29,975,475</b>	<b>\$ 102,738,877</b>	<b>\$ 122,521,616</b>	<b>\$ 142,192,579</b>	<b>\$ 151,474,018</b>	<b>\$ 143,409,869</b>	<b>\$ 139,097,748</b>

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

\*\* In fiscal year 2011, the Commission presented the information in accordance with GASB 54.

For informational purposes, the Commission has shown fund balance for GASB 54, retroactively.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHANGES IN FUND BALANCES - GENERAL FUND  
LAST SEVEN FISCAL YEARS\***

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Revenues:							
Prop 10 Tobacco taxes	\$ 28,809,920	\$ 29,706,126	\$ 33,396,055	\$ 35,527,837	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
Prop 10 State School Readiness	-	4,349,489	4,294,144	4,114,774	10,461,757	-	-
Other State operating grants and contributions	-	145,834	104,166	352,597	669,897	311,792	193,567
Investment income earned on tobacco taxes at the State Level (SMIF)	15,331	82,000	82,479	190,332	430,669	-	871,949
Federal operating grants	686,722	840,427	757,061	1,130,638	2,237,302	1,432,084	1,848,076
Investment income	818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
Other revenue	<u>26,983</u>	<u>40,509</u>	<u>210,659</u>	<u>148,113</u>	<u>41,527</u>	<u>36,867</u>	<u>181,836</u>
Total revenues	<u>30,357,250</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>	<u>46,769,657</u>
Expenditures:							
Current:							
Salaries and benefits	2,320,098	2,409,027	2,425,403	2,312,004	2,262,578	2,218,293	1,670,398
Expenditures realted to "Zero to Five" Program	49,431,114	46,834,681	54,374,771	51,328,771	42,968,962	36,167,198	46,965,745
Services and supplies for State School Readiness program		6,844,534	5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
Capital outlay	-	-	-	-	-	-	11,286
Extraordinary Item: Accrual of AB99 liability	51,369,439						
Total expenditures	<u>103,120,651</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>	<u>52,880,392</u>
Excess of revenues over expenditures	<u>\$ (72,763,401)</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>	<u>\$ (6,110,735)</u>

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY**

<b>Actual Revenues Received (1)</b>	<u><b>Orange County</b></u>	<u><b>State Total</b></u>
2003/2004	\$39,551,911	\$458,509,867
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	\$28,809,920	\$374,284,018
<hr/>		
<b>Projected Revenues (2)</b>		
2011/2012	\$27,455,693	\$357,719,200
2012/2013	\$26,090,767	\$341,644,800
2013/2014	\$24,986,902	\$328,844,800
2014/2015	\$23,892,790	\$316,044,800

\* Historical data and projected revenues are presented to communicate tax revenue capacity as a declining revenue source

(1) Source: First 5 California County Funds Distributions; historical data is presented as of the first fiscal year that GASB 34 was implemented.

(2) Source: First 5 California County Tax Revenue Projections for 2010/11 to 2014/15 (Updated 5/18/11 utilizing DOF May Revise 2011 Tobacco Tax Projections and DOF 2009 Birth Projections for California State and Counties 1980-2018)

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**STATE OF CALIFORNIA - CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE, 1959-60 TO 2008-09**

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
1	2	3	4	5	6	7
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	50,037,000	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% 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 i/	37.47
1988-89	499,712,000 h/	4,273,000	503,984,000	4,968,000	9,994,000 i/	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	1,567,000		
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 v/	62,558,000	67,000		

Source: State Board of Equalization 2009-2010 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2009-10

- a. Net of refunds for tax indicia on cigarettes that become unfit for use (See column 5).
  - 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 2 percent.
  - 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 \$324,000.
  - 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.
- Note: Detail may not compute to total due to rounding.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2009-10**

Fiscal year	Reported distributions			Apparent per capita consumption (a.) (In packages)
	Total	Tax paid	Tax exempt	
1	2	3	4	5
2009-10	1,002,000,000	972,000,000	30,000,000	25.9
2008-09	1,090,000,000	1,058,000,000	32,000,000	28.5
2007-08	1,131,000,000	1,107,000,000	24,000,000	29.9 r
2006-07	1,177,000,000	1,158,000,000	20,000,000	31.3
2005-06	1,209,000,000	1,190,000,000	19,000,000	32.5
2004-05	1,224,000,000	1,187,000,000	37,000,000	33.3
2003-04	1,234,000,000	1,184,000,000	50,000,000	34.0
2002-03	1,227,000,000	1,196,000,000	31,000,000	34.5
2001-02	1,271,000,000	1,237,000,000	34,000,000	36.3
2000-01	1,324,000,000	1,288,000,000	37,000,000	38.5
1999-00	1,390,000,000	1,353,000,000	38,000,000	41.2
1998-99	1,568,000,000	1,523,000,000	45,000,000	47.3
1997-98	1,717,000,000	1,668,000,000	48,000,000	52.6
1996-97	1,777,000,000	1,716,000,000	61,000,000	55.2
1995-96	1,811,000,000	1,742,000,000	69,000,000	56.9
1994-95	1,871,000,000	1,791,000,000	80,000,000	59.2
1993-94	1,903,000,000	1,824,000,000	79,000,000	60.6
1992-93	2,010,000,000	1,923,000,000	86,000,000	64.5
1991-92	2,144,000,000	2,050,000,000	94,000,000	69.8
1990-91	2,196,000,000	2,102,000,000	93,000,000	72.8
1989-90	2,311,000,000	2,219,000,000	92,000,000	78.2
1988-89	2,431,000,000	2,353,000,000	78,000,000	84.7
1987-88	2,657,000,000	2,570,000,000	87,000,000	94.9
1986-87	2,690,000,000	2,595,000,000	95,000,000	98.4
1985-86	2,730,000,000	2,632,000,000	98,000,000	102.3
1984-85	2,781,000,000	2,673,000,000	108,000,000	106.7
1983-84	2,792,000,000	2,675,000,000	117,000,000	109.9
1982-83	2,889,000,000	2,761,000,000	128,000,000	115.8
1981-82	2,947,000,000	2,811,000,000	136,000,000	120.4
1980-81	2,966,000,000	2,825,000,000	141,000,000	123.6
1979-80	2,892,000,000	2,744,000,000	148,000,000	122.9
1978-79	2,887,000,000	2,730,000,000	157,000,000	125.1
1977-78	2,940,000,000	2,774,000,000	166,000,000	130.0
1976-77	2,900,000,000	2,728,000,000	172,000,000	130.9
1975-76	2,909,000,000	2,722,000,000	187,000,000	133.7
1974-75	2,857,000,000	2,664,000,000	193,000,000	133.7
1973-74	2,827,000,000	2,620,000,000	207,000,000	134.4
1972-73	2,762,000,000	2,553,000,000	209,000,000	133.2
1971-72	2,720,000,000	2,505,000,000	215,000,000	132.9
1970-71	2,635,000,000	2,424,000,000	211,000,000	130.5
1969-70	2,594,000,000	2,393,000,000	201,000,000	130.2
1968-69	2,616,000,000	2,409,000,000	207,000,000	133.0
1967-68	2,596,000,000	2,383,000,000	213,000,000	134.0
1966-67	2,737,000,000	2,573,000,000	164,000,000	143.8
1965-66	2,706,000,000	2,547,000,000	159,000,000	144.9
1964-65	2,679,000,000	2,534,000,000	145,000,000	146.7
1963-64	2,564,000,000	2,433,000,000	131,000,000	144.3
1962-63	2,545,000,000	2,409,000,000	136,000,000	147.9
1961-62	2,450,000,000	2,320,000,000	130,000,000	147.3
1960-61	2,382,000,000	2,258,000,000	124,000,000	147.8
1959-60	2,190,000,000	2,085,000,000	105,000,000	139.7

Source: State Board of Equalization 2009-2010: Annual Report Cigarette Distributions and Per Capita Consumption, 1959-60 to 2009-10

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
DEMOGRAPHIC DATA**

	2011 <sup>(*1)</sup>	2010 <sup>(*1)</sup>	2009 <sup>(*1)</sup>	2008 <sup>(*2)</sup>	2007 <sup>(*2)</sup>	2006 <sup>(*2)</sup>	2005 <sup>(*2)</sup>	2004 <sup>(*2)</sup>	2003 <sup>(*2)</sup>	2002 <sup>(*2)</sup>	2001 <sup>(*2)</sup>
Total Population	3,257,546	3,227,836	3,190,126	3,124,206	3,089,756	3,067,286	3,055,514	3,031,583	3,000,092	2,959,691	2,917,008
White	1,407,959	1,419,887	1,426,206	1,331,056	1,352,824	1,377,579	1,406,957	1,430,578	1,450,300	1,465,135	1,478,528
Hispanic	1,187,780	1,158,270	1,128,167	1,096,976	1,069,822	1,045,627	1,025,142	1,000,599	973,652	943,988	914,077
Asian & Pacific Islander	540,913	529,670	517,155	564,134	540,356	521,159	503,889	484,747	464,603	443,278	422,001
Black	44,852	44,873	44,606	45,366	45,238	45,217	45,345	45,282	45,095	44,760	44,391
Other/Multi-Race	76,042	75,136	73,992	86,675	81,517	77,703	74,181	70,377	66,442	62,530	58,011
Female	1,641,696	1,625,960	1,606,431	1,579,737	1,561,046	1,548,819	1,542,174	1,529,171	1,512,299	1,490,917	1,468,395
Male	1,615,850	1,601,876	1,583,695	1,544,470	1,528,709	1,518,467	1,513,340	1,502,412	1,487,793	1,468,774	1,448,613
Under 5 years	227,966	226,510	224,350	219,213	219,792	220,781	222,641	220,370	217,124	214,036	212,507
5-9 years	218,076	219,097	218,110	212,836	209,084	207,514	206,356	210,123	215,247	220,604	224,904
10-14 years	212,808	213,337	216,341	208,950	213,507	218,604	223,493	225,556	224,496	220,861	214,412
15-19 years	237,686	238,830	237,934	229,856	225,940	221,111	217,132	212,244	207,822	204,214	202,163
20-24 years	235,174	227,272	219,540	214,666	211,419	212,385	215,568	215,857	213,412	208,251	203,058
25-34 years	444,530	441,587	439,562	460,591	457,787	458,770	464,961	470,739	473,770	474,164	473,594
35-44 years	479,110	484,402	488,687	487,412	489,275	491,483	493,016	492,293	490,389	487,944	484,629
45-54 years	477,831	473,882	465,774	444,155	435,139	425,578	415,633	404,897	394,987	385,273	376,922
55-59 years	193,237	186,913	181,150	169,337	166,905	166,710	163,164	156,820	151,057	144,950	135,910
60-64 years	163,920	159,382	151,927	138,282	132,662	124,676	120,539	116,776	111,972	106,141	101,711
65-74 years	206,384	198,123	190,466	172,872	165,845	161,313	159,395	157,421	155,249	152,909	151,065
75-84 years	110,535	109,486	108,730	112,252	111,692	110,970	109,469	107,242	105,414	103,133	100,612
85+	50,289	49,015	47,555	53,784	50,709	47,391	44,147	41,245	39,153	37,211	35,521

Sources: (\*1) State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, July 2007.

(\*2) State of California, Department of Finance, E-3 Race / Ethnic Population Estimates with Age and Sex Detail, 2000–2008. Sacramento, CA, June 2010.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 1998-2008**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b><u>GOOD HEALTH</u></b>											
Total Births*	42,456	44,026	42,145	41,909	45,049	45,345	44,760	45,462	46,980	46,478	46,186
Total percentage of women who received early prenatal care*	87.8%	88.0%	91.0%	91.5%	91.7%	91.6%	90.8%	89.3%	88.1%	86.5%	85.3%
Women with prenatal care in the first trimester*	37,267	38,727	38,364	38,365	41,306	41,516	40,654	40,612	41,415	40,220	39,376
Newborns with low birth weight (less than 2,500 grams)*	2,705	2,879	2,816	2,826	2,782	2,718	2,710	2,666	2,560	2,564	2,539
Percent of Newborns with low birth weight*	6.4%	6.5%	6.4%	6.4%	6.2%	6.0%	6.1%	5.9%	5.4%	5.5%	5.5%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth*	81	107	158	164	165	203	120	121	93	98	101
Percent of children with Health Insurance											
Children adequately immunized at age 2*	81.1%	76.9%	78.9%	78.9%	77.6%	71.4%	73.8%	71.4%	69.7%	70.0%	66.0%
Infant Deaths*	202	187	224	211	179	200	216	206	231	204	207
Infant Mortality Rate (per 1,000 live births)*	4.8	4.2	5.1	4.8	4	4.4	4.8	4.5	4.9	4.4	4.5
Birth rate per 1,000 females ages 15-19 in Orange County*	25.9	27.7	29.9	29.8	30.1	30.7	32.3	34.9	38.2	39.8	45.8
Breastfeeding Percentages (any)*	84.9%	86.2%	85.0%	84.6%	83.2%	84.1%	84.8%	84.5%	83.9%	83.3%	80.1%
Breastfeeding Percentages (exclusive)*	38.0%	29.8%	30.6%	28.6%	26.1%	26.9%	29.0%	30.5%	31.3%	31.9%	32.3%
Number of children under 18 served by children and youth services*	12,864	12,552	12,334	11,962	12,203	13,724	14,007	13,590	12,893	11,089	10,145
<b><u>ECONOMIC WELL-BEING</u></b>											
Children receiving financial assistance through CalWORKS*	31,932	32,040	33,618	36,245	37,384	38,997	38,999	39,826	44,195	47,987	57,250
Percent of children receiving CalWORKS of total population under 18*	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	8.0%
Number of students receiving free and reduced lunch*	197,671	184,956	193,802	200,340	196,430	198,167	190,979	183,524	182,003	176,980	169,528
Percentage of students receiving free and reduced lunch*	40.0%	39.0%	39.0%	39.0%	38.0%	38.0%	38.0%	37.0%	38.0%	38.0%	37.0%
Number of participants served by the WIC program*	117,188	107,595	95,635	98,635	99,115	97,882	103,264	99,632	98,482	95,195	98,806
Total number of child support cases*	94,860	94,769	97,425	98,503	99,134	102,040	99,903	102,043	106,961	113,558	122,183
Total child support collections \$ (in millions)*	180	178.3	177.6	178	172.3	164.6	163.8	159.3	143.5	119.5	98.6
<b><u>EDUCATIONAL ACHIEVEMENT</u></b>											
Total public school enrollment*	504,136	503,225	503,955	510,114	513,744	515,464	512,105	503,351	494,178	483,360	471,404
Number of English learner students*	140,887	142,833	141,762	144,118	149,535	153,055	159,145	156,725	150,653	146,450	142,551
Average \$ expenditure per pupil for grades K-12*	8,724	8,844	8,008	7,360	6,944	6,750	6,715	6,557	6,156	5,536	5,176
Average class size for all grade levels*	27.4	26.1	28.8	28.9	29.3	29.2	27.4	28.1	27.9	28.2	28.7
Total number of students K-12 receiving special education*	50,588	50,206	49,325	51,444	50,306	50,817	49,577	48,398	46,843	47,370	45,574
<b><u>SAFE HOMES AND COMMUNITIES</u></b>											
Total number of child abuse registry reports*	38,900	41,119	36,593	33,381	34,909	37,015	27,704	25,607	26,005	28,180	25,312
Average monthly number of children in out-of-home care*	2,466	2,668	2,562	2,394	2,566	2,772	2,939	3,253	3,475	3,768	3,883
Average monthly number of dependents of the court*	3,433	3,675	3,447	3,187	3,399	3,674	4,007	4,256	4,618	5,008	5,091
Emancipation Services Program: monthly average youth served*	1,717	1,775	1,778	1,807	1,866	1,872	1,803	1,794	1,586		
Total number of children placed in adoptive homes*	345	406	343	295	373	424	513	475	419	428	374
Total juvenile arrests for youth 10 to 17 years of age*	14,927	15,015	14,036	13,014	13,033	13,580	13,646	14,986	15,528	17,755	18,702
Total number of juveniles referred to probation, 10 to 18 years*	12,456	11,900	10,852	10,772	10,092	10,491	10,770	10,688	11,044	12,033	12,506

\* The 16th Annual Report on the Condition of Children in Orange County 2010 presents date through calendar year 2008. Data through FY 2009-10 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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Principal Employers**

**2011**

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
University of California, Irvine	20,650	1	1.30%
Walt Disney Co.	20,000	2	1.26%
County of Orange	17,655	3	1.11%
St. Joseph Health System	11,965	4	0.75%
Boeing Co.	8,060	5	0.51%
Bank of America Corp.	6,500	6	0.41%
Yum Brands Inc.	6,500	6	0.41%
Supervalu Inc.	5,900	8	0.37%
Kaiser Permanente	5,397	9	0.34%
Target Corp.	5,325	10	0.33%

**2002**

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Co.	21,275	1	1.36%
County of Orange	17,751	2	1.14%
University of California, Irvine	14,981	3	0.96%
Boeing Co.	11,179	4	0.72%
Albertsons Inc.	9,500	5	0.61%
St. Joseph Health System	9,435	6	0.60%
Tenet Healthcare Corp.	8,389	6	0.54%
SBC Communications, Inc.	7,100	8	0.46%
Target Corp.	4,878	9	0.31%
Bank of America Corp.	4,813	10	0.31%

Source: Orange County Business Journal, Book of Lists, 2011 and Orange County CEO Budget Office

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
EMPLOYEES BY FUNCTION  
LAST SEVEN FISCAL YEARS**

	<b>Fiscal Year</b>						
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Number of Employees by Function							
General Administration	7	7	7	8	7	8	8
Finance	2	2	2	1	2	3	2
Contracts Administration	5	5	5	5	5	5	2
Program Management & Evaluation	3	4	4	4	2	2	2
<b>Total Employees</b>	<b>17</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>16</b>	<b>18</b>	<b>14</b>

\* 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 the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (the Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 30, 2011. Our report included an explanatory paragraph regarding the Commission's adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. 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.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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*.

This report is intended solely for the information and use of management, the County Board of Supervisors, Board of Commissioners, the County Commission, the State Commission, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Laguna Hills, California  
September 30, 2011



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of the Children and Families Commission of Orange County’s (the Commission), a component unit of the County of Orange, as of and for the year ended June 30, 2011 and have issued our report thereon dated September 30, 2011. Our report included an explanatory paragraph regarding the Commission’s adoption of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also audited the Commission’s compliance with the requirements specified in the State of California’s Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller’s Office, applicable to the Commission’s statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Commission’s management. Our responsibility is to express an opinion on the Commission’s compliance based on our audit.

We conducted our compliance audit 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 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 Controller’s Office. Those standards and the State of California’s Standards and Procedures for the 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 compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit includes examining, on a test basis, evidence about the Commission’s compliance with those requirements and performing such procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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:

Table with 3 columns: Description, Audit Guide Procedures, and Procedures Performed. Rows include Contracting and Procurement, Administrative Costs, Conflict of Interest, County Ordinance, Long-range Financial Plans, Financial Condition of the Commission, Program Evaluation, and Salaries and Benefit Policies.

In our opinion, Children and Families Commission of Orange County complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended June 30, 2011.

This report is intended solely for the information and use of management, the Board of Commissioners, the State Commission, the County Commission and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Vavrinch, Train, Day & Co., LLP*

Laguna Hills, California  
September 30, 2011

**CHILDREN AND FAMILIES COMMISSION OF  
ORANGE COUNTY**

**SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2011**

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**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 the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (the Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 30, 2011. Our report included an explanatory paragraph regarding the Commission's adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. 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.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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*.

This report is intended solely for the information and use of management, the County Board of Supervisors, Board of Commissioners, the County Commission, the State Commission, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Laguna Hills, California  
September 30, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM,  
INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 (the Commission) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2011. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

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 each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (the Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. Our report included an explanatory paragraph regarding the Commission's adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the County Board of Supervisors, Board of Commissioners, the County Commission, the State Commission, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Laguna Hills, California  
September 30, 2011

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Corporation for National and Community Services:</b>			
Volunteers in Service to America	94.013	06VSPCA032	\$ 348,635
ARRA - Volunteers in Service to America	94.013	09VSPCA011	5,134
<b>Subtotal - Corporation for National Community Services</b>			<u>353,769</u>
<b>U.S. Department of Health and Human Services:</b>			
NIH Recovery Act Research Support - ARRA Medical Assistance Program	93.701	2010-2490	12,892
Passed through from:			
County of Orange Medi-Cal Administrative Activities [1]	93.778	03-75080	<u>248,513</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 615,174</u></u>

[1] Denotes a major Federal Financial Assistance Program

See accompanying notes to Schedule of Expenditures of Federal Awards.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

***NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Children and Families Commission of Orange County (Commission). The Commission's reporting entity is defined in Note #1 of the Commission's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

**B. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note #1 of the Commission's Financial Statements.

**C. Medi-Cal Administrative Activities**

The Single Audit Act defines major federal award programs based upon total federal expenditures of the grantee during the period reported and risk of the programs audited. The Schedule of Expenditures of Federal Awards includes expenditures incurred for Medi-Cal Administrative Activities (CFDA No. 93.778) in the fiscal year 2009-2010, which were approved for reimbursement by the grantor agency in the fiscal year 2010-2011.

**D. Relationship to Basic Financial Statements**

Federal awards revenues are generally reported within the Commission's financial statements under the financial statement caption "Federal Operating Grants" for the Governmental Fund.

**E. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures to Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.778</u>	<u>Medical Administrative Activities (MAA)</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**II. FINANCIAL STATEMENT FINDINGS**

None noted.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Finding No.</b>	<b>Program</b>	<b>CFDA No.</b>	<b>Compliance Requirement</b>	<b>Status of Corrective Action</b>
2010-1	Volunteers in Service to America (VISTA), ARRA	94.013	Special Test and Provision – Central Contractor Registration (CCR)	Implemented



**Agenda Item No. 6  
October 5, 2011 Meeting**

**DATE:** September 27, 2011  
**TO:** Children and Families Commission of Orange County  
**FROM:** Michael M. Ruane, Executive Director   
**SUBJECT:** FY 2010-11 Annual Financial and Program Reports, Amendments to FY 2011-12 Operating Budget and Public Hearing

---

**SUMMARY:**

This agenda item provides a comprehensive report on the fiscal and program results from the fiscal year ending June 30, 2011 and proposed amendments to the FY 2011-12 Approved Budget. Consistent with the Commission actions in May and June 2011, staff has completed a detailed review of the budget and year-end actuals and has developed recommendations to amend the FY 2011-12 Annual Operating Budget.

Additionally, this report addresses the Commission's filing requirements with First 5 California and State Controller's Office. The California Children & Families Act of 1998 (Health & 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 State First 5 Commission on or before November 1 of each year. The audit report must also be filed with the State Controller's Office. The annual financial audit and the program reports have been completed and are submitted to the Commission for public hearing.

**Comprehensive Financial and Budget Update**

This report provides a comprehensive update on:

- A. Annual financial audits
- B. Annual Program Report, including Supplemental Report, and Annual Summary Performance Report
- C. First-quarter budget report and FY 2011-12 budget amendments

**A. Annual Financial Audits**

**Comprehensive Annual Financial Report (CAFR):** Vavrinek, Trine, Day & Co., LLP (Vavrinek) performed an independent annual audit of Commission financial statements for FY 2010-2011 that included the expanded audit compliance requirements mandated by AB 109/SB 35. 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, 2011* is included as Attachment 1.

**Single Audit Report:** Vavrinek completed a Single Audit Report for FY 2010-11 as required by the Single Audit Act Amendments of 1996, Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," the OMB Circular A-133 Compliance Supplement and Government Auditing Standards for entities that have expended \$500,000 or more in federal awards. The *Single Audit Report for the Year Ended June 30, 2011* 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 unqualified opinions on both the *Commission's Comprehensive Annual Financial Report* and *Single Audit Report for Year End June 30, 2011*. 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, 2011, and the respective changes in financial position thereof, and budgetary comparison information, for the year then ended in conformity with accounting principles generally accepted in the United States of America."
- b. Auditors' Report on Internal Control over Financial Reporting: "The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards."
- c. Auditors' Report on State Compliance: "Based on our audit we found that, for the items tested, the Commission complied with the laws and regulations of the items referred to above." (i.e. AB 109/SB 35 expanded audit requirements)
- d. Auditors' Single Audit Report: "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 each of its major federal programs for the year ended June 30, 2011." (i.e. OMB Circular A-133)

The Commission's CAFR was prepared in compliance with the most up to date guidelines issued by the State Controller.

**Certifications:** In June 2011, the State First 5 Commission requested each county commission's Executive Director to certify compliance with Health and Safety Code Section 130140 (Fiscal Memo 10-01) prior to July 1, 2011 in order to remain eligible to receive Proposition 10 tobacco tax revenues. This certification was submitted to the State Commission prior to the prescribed deadline. The State Commission 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

State First 5 Commission with a statement that the Children and Families Commission of Orange County did not use its funding to supplant existing program funds.

## **B. Annual Program Report, including Supplemental Report, and Annual Summary Performance Report**

***Annual Program Report including Supplemental 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 submitted to First 5 California for the consolidated annual report to the Governor and the Legislature. The full report is on file with the Clerk of the Board of the Commission. Attachment 3 includes a summary of the full report along with a supplemental report. The supplemental report provides relevant service and demographic data by the Commission's goal areas and programs.

The Commission's annual financial statements include a \$51.4 million extraordinary expense, recognized by the Commission in FY 2010/2011. This expense is related solely to the AB 99 legislation and did not result in progress or achievement of Commission program goals and objectives and had no measureable outcomes. The AB 99 expense will be recognized separately from program expenses in the annual report. Staff is currently working with the First 5 Association and other county commissions on a statewide standardized approach for reporting this expense as part of the annual report submitted to First 5 California. The intent is to clearly isolate this unique expense and not include as part of program expenses.

***Annual Summary Performance Report:*** In addition to the Annual Program Report that is developed consistent with First 5 California Guidelines, a summary report has been developed that presents the annual data in a two page format to provide further utility of the information in the coming year. The report summarizes the Commission's funded expenditures by goal and program areas, the achievement in terms of key milestones, and accomplishments from each of the Commission's major programs. The *Annual Summary Performance Report, FY 2010-11* is included as Attachment 4.

Highlights from the *FY 2010-11 Annual Summary Performance Report* include:

- 165,899 children ages 0-5 received Commission-funded services;
- 188,839 family members of children ages 0-5 received Commission-funded services;
- Over 1,405,143 services were provided to children; and
- 1,288,391 services were provided to family members

## **C. Amendments to FY 2011-12 Annual Operating Budget**

The FY 2011-12 AB 99 Compliant Budget was approved by the Commission in May 2011. Staff analyzed current program allocations and encumbrances and has developed a proposed Amended Annual Operating Budget for FY 2011-12 to include both appropriations made by Commission action after the initial budget adoption in May and previously encumbered contracts recommended to be carried forward into the current year:

- Revenue – Actual Proposition 10 revenue for FY 2010-11 was \$28.8 million or \$600,000 higher than previously forecasted. The original FY 2011-12 Budget assumed \$26.8 million in Tobacco Tax Revenue representing a 7-percent decrease from the prior year. To be consistent with the 5-percent decline estimated in the Commission’s Long-Term plan, staff recommends increasing FY 2011-12 budgeted Tobacco Tax Revenue to \$27.3 million. Also included in the Amended Budget are increases in revenues for the federal ARRA (American Recovery and Reinvestment Act) Health Research grant, the federal AmeriCorps/VISTA (Volunteers in Service to America) program, and the state match for the CARES (Comprehensive Approaches to Raising Educational Standards) Plus program totaling \$1 million.
- Program Funding – Program funding has been increased from \$31.8 to \$34 million to account for greater than anticipated carryover funding and programs offset by outside revenue sources. While the budget reflects a total increase, new appropriations and encumbrances are in line with the latest Long Term Financial Plan assumptions. The amended budget includes an increase of \$1.2 million in carryover funding. Other expense increases to be offset by additional revenue are as listed above: ARRA Health Research grant, AmeriCorps/VISTA, and CARES Plus.
- Administrative Expenses – Over the past several years, Commission staff has significantly reduced administrative expenses. The FY 2011-12 amended administrative budget is \$3.6 million, which is 23 percent less than FY 2010-11 budget. Included in the amended administrative budget are the additional expenses related to the AB 99 litigation as approved at the June Commission meeting.

***Administrative Expense***

Health & Safety Code Section 130140 requires the Commission to adopt a limit on the percentage of the Commission’s operating budget that may be spent on administrative functions. Administrative costs and functions are defined by State First 5 Commission guidelines pursuant to Chapter 284, Statutes of 2005 (AB 109). The Commission’s Budget is prepared in accordance with these guidelines. The updated FY 2011-12 Budget is consistent with the Commission policy of a 10 percent limitation on administrative function expenditures consistent with previous Commission approved policy and direction to staff.

**STRATEGIC PLAN AND FISCAL SUMMARY:**

The fiscal 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 and outcomes.

**PRIOR COMMISSION ACTIONS:**

- April 2011 – Review of Long-Term Financial Plan and impacts of state budget actions
- May 2011 – Annual Review of Strategic Plan, Annual Operating Budget for FY 2011-12
- June 2011 – Review and approval of FY 2011-12 Business Plan

- June 2011 – Approved revised Fund Balance Policy to implement GASB 54 Fund Balance reporting
- September 2011 – Received progress report on the annual external audit process and preliminary year-end financial position

**RECOMMENDED ACTIONS:**

1. Conduct Public Hearing.
2. Receive the Comprehensive Annual Financial Report for Year Ended June 30, 2011, including State Compliance Report, and authorize the Executive Director to submit the Annual Financial Audit Reports, along with any supporting materials, to the California Children & Families Commission and to the State Controller's Office.
3. Receive the Single Audit Report for the Year Ended June 30, 2011 and authorize the Executive Director to submit the Single Audit Report with the audit reporting package to the Federal Audit Clearinghouse.
4. Receive the Annual Program Report including Supplemental Report for FY 2010-11 and authorize the Executive Director to submit Report to the California Children & Families Commission.
5. Authorize the Executive Director to execute required certifications to the State Commission and to incorporate non-substantive revisions to the Annual Program Report including Supplemental Report for FY 2010-11 prior to submittal.
6. Receive FY 2010-11 Annual Summary Performance Report.
7. Receive mid-year budget report and adopt Resolution approving the Amended Annual Operating Budget for FY 2011-12.
8. Provide policy direction to staff.

**ATTACHMENTS:**

1. Comprehensive Annual Financial Report for Year Ended June 30, 2011
2. Single Audit Report for Year Ended June 30, 2011
3. Annual Program Report including Supplemental Report, FY 2010-11
4. FY 2010-11 Annual Summary Performance Report
5. Amended Annual Operating Budget for FY 2011-12
6. Resolution adopting the Amended Annual Operating Budget for FY 2011-12

**Contacts:** Brenda Manriquez – Annual Financial Audit and Budget Amendments  
Alyce Mastrianni – Annual Report



# Children & Families Commission of Orange County

(a Component Unit of the County of Orange, California)

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2011

*Prepared by:*

**Finance Department**

**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, 2011

**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, 2011

**Brenda Manriquez, CPA**

**Director of Finance**

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
FOR THE YEAR ENDED JUNE 30, 2011**

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**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
FOR THE YEAR ENDED JUNE 30, 2011**

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October 5, 2011

Board of Commissioners  
Children and Families Commission of Orange County  
17320 Redhill Avenue  
Suite 200  
Irvine, CA 92614

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, 2011, are free of material misstatement. The independent certified public accounting firm has issued an unqualified ("clean") opinion on the Commission's financial statements as of and for the year ended June 30, 2011. 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. Our activities have been built to develop, adopt, promote and implement early childhood development and school readiness programs during the first five years of life. During the first eleven years, the Commission has made a lasting positive impact in Orange County through its expenditures of approximately \$500 million toward grants, programs and operations that improve the well-being of young children and families in Orange County.

## **Relevant Financial Policies**

### Financial Plan

The Long-Term Financial Plan was reviewed and revised in April 2011 to address current economic issues, emerging program needs, future demand on Commission resources and legislative diversion of Prop 10 tobacco tax revenues to the State of California (AB99 legislation). The revised Long-Term Financial Plan decreases program funding from \$39.6 million in FY 2010-2011 to \$31.8 million in FY 2011-2012, and assumes that the AB99 legislation is upheld, resulting in a payment of \$51.4 million to the State of California by June 30, 2012. Tiered reductions to program funding in the following two fiscal years will be implemented in order to reach an annual program funding level of \$28 million in FY 2014-2015. The reduced program funding is consistent with the declining revenue stream and seeks to ultimately match future expenses to future revenues.

The FY 2011-2012 Operating Budget, presented in May 2011, approves an overall spending plan at regular funding levels, as well as a spending plan that is compliant with the AB99 legislation enacted during FY 2010-11. In order to continue funding priority initiatives and community investments, the Commission opted to decrease the funding levels for FY 2011-12 in the event that AB99 legislation is legally upheld. In addition, the Commission will revisit funding levels at a time when the outcome of legal challenges to the enacted legislation is determined.

An amended version of the FY 2011-2012 Operating Budget (AB99 compliant) includes detailed program funding information as well as updated revenue projections and will be presented to the Commission in October 2011.

### Strategic Plan

Although changes in the long-term funding plan were made, the Commission will continue to utilize the Strategic Plan adopted in May 2011 for fiscal year 2011-2012 detailing our continuing commitment to partnering with the Orange County community to improve the lives of expectant parents, children from the prenatal stage through age 5 and their families. This will be the guide by which we will plan, develop, implement and evaluate our activities through 2012.

## **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 budget for fiscal year 2010-2011 was adopted on April 7, 2010. The Executive Director has the discretion to adjust the budget as defined within the budget policy of the Board of Commissioners. Monthly financial updates 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, 2010. This was the second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government 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. We believe that our 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,



Michael M. Ruane  
Executive Director



The Government Finance Officers Association  
of the United States and Canada

*presents this*

## AWARD OF FINANCIAL REPORTING ACHIEVEMENT

*to*

### Finance Department

Children & Families Commission of Orange County, California



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date March 22, 2011

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
BOARD OF COMMISSIONERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**BOARD MEMBERS (9)**

---

Bill Campbell (M)  
Chair/Board of Supervisors

Sandra Barry (A)  
Vice Chair

Maria E. Minon, M.D. (A)  
Chair Pro-tem

Kimberly Cripe (A)

Hugh Hewitt (A)

Crystal Kochendorfer (A)

David Riley (M)  
Health Care Agency

Michael L. Riley, Ph.D. (M)  
Social Services Agency

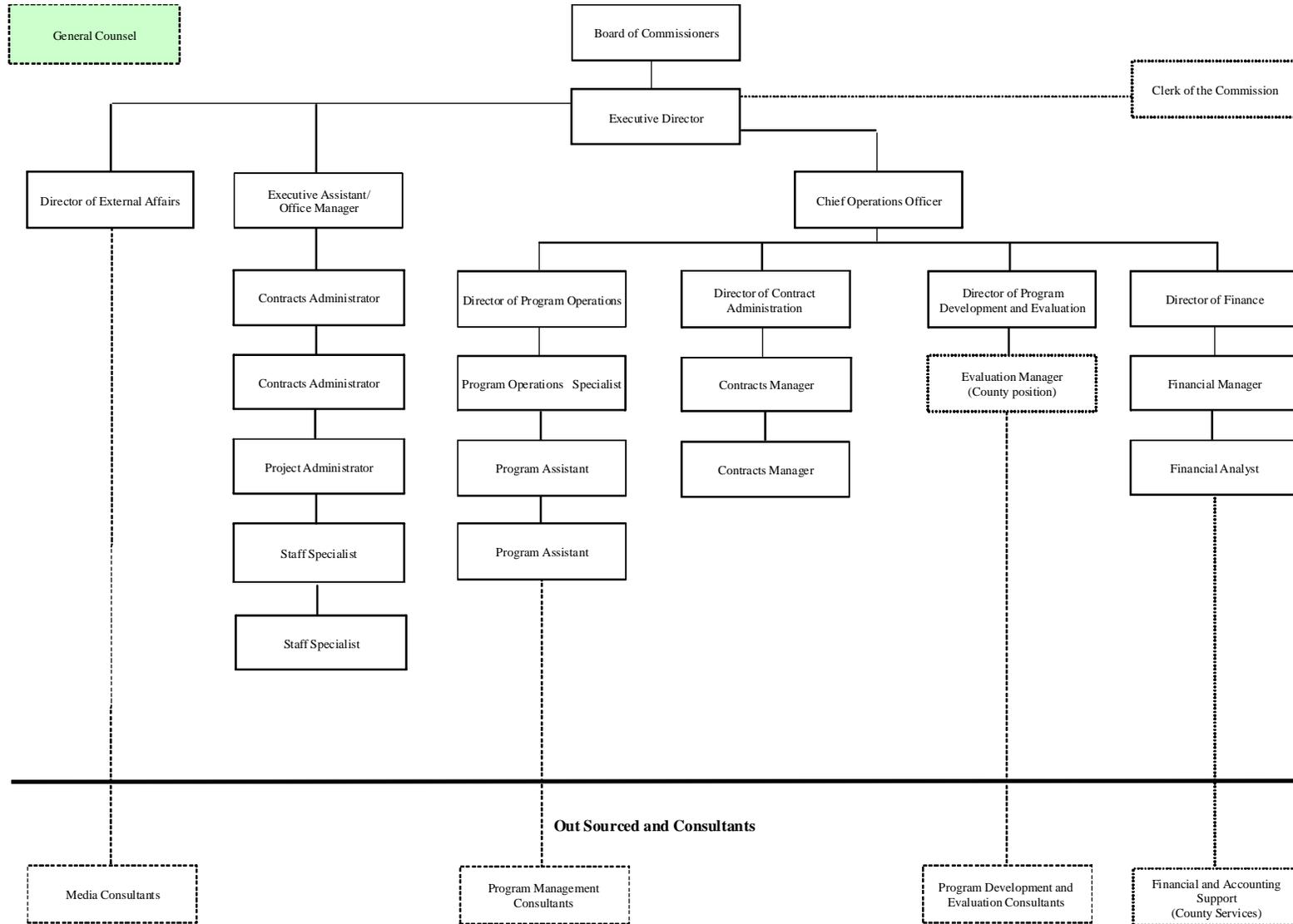
Sally Snyder, R.N. (A)

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

# CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY ORGANIZATION CHART FISCAL YEAR 2009-2010

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Children and Families Commission of Orange County  
Organization Chart  
Fiscal Year 2010-2011



Note: Titles may change where appropriate

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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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, 2011. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

**Financial Highlights**

- The assets of the Commission exceeded its liabilities by \$30.1 million at the end of the current fiscal year, a decrease of \$72.8 million (70.7%) from the prior fiscal year. The decrease is primarily due to the establishment of a \$51.4 million liability that complies with the AB99 legislation enacted in the current fiscal year.
- As of June 30, 2011, the Commission's governmental fund statements reported an ending fund balance totaling \$30.0 million, a decrease of \$72.8 million (70.8%) from the prior fiscal year.
- Consistent with the implementation of the GASB 54 pronouncement, the total ending fund balance of \$30.0 million was classified into five categories. The Commission's breakdown is as follows: \$0.4 million as nonspendable, \$35.1 million as committed, and (\$5.5) million as unassigned. With a negative unassigned fund balance, the Commission will require future funding resources in order to meet multi-year contractual commitments at this time.

**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 Assets* presents information on all of the Commission's assets and liabilities with the difference between assets and liabilities reported as net assets. Changes in net assets 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 assets during the fiscal year. All changes in net assets 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).

**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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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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 Assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, net assets totaled \$30.1 million at the end of the current fiscal year, a 71% decrease from the prior fiscal year. Following is a summary of the government-wide State of Net Assets comparing balances at June 30, 2011 and June 30, 2010.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

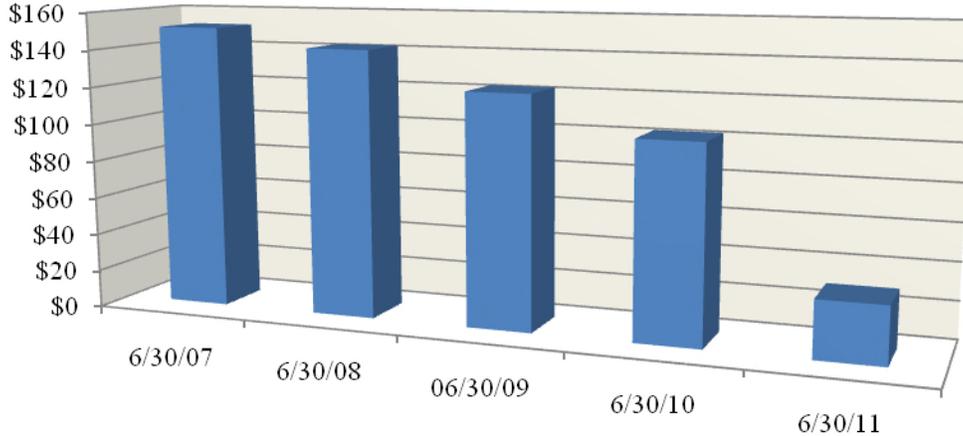
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	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Percent Increase (Decrease)</u>
<b>Assets:</b>			
Cash and investments	\$ 90,100,670	\$ 118,725,998	-24%
Imprest cash	15,000	15,000	0%
Accounts receivable	-	4,495	-100%
Interest receivable	87,099	227,223	-62%
Deposits with others	165,488	33,500	100+%
Due from County of Orange	-	345,753	-100%
Due from other governments	5,857,799	5,730,649	2%
Prepaid expense	399,279	-	100%
Equipment, net	235	798	-71%
Total assets	<u>\$ 96,625,571</u>	<u>\$ 125,083,416</u>	-23%
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 5,692,916	\$ 7,361,457	-23%
Due to County of Orange	827,625	12,126	100+%
Due to other governments	5,412,394	10,349,318	100+%
Due to other governments - AB99	51,369,439	-	100%
Retentions payable	3,098,974	4,326,729	-28%
Long-term liabilities	160,393	190,184	-16%
Total liabilities	<u>66,561,741</u>	<u>22,239,814</u>	100+%
<b>Net assets:</b>			
Restricted - childrens programs	30,063,595	102,842,804	-71%
Invested in capital assets	235	798	-71%
Total net assets	<u>30,063,830</u>	<u>102,843,602</u>	
Total liabilities and net assets	<u>\$ 96,625,571</u>	<u>\$ 125,083,416</u>	-23%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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

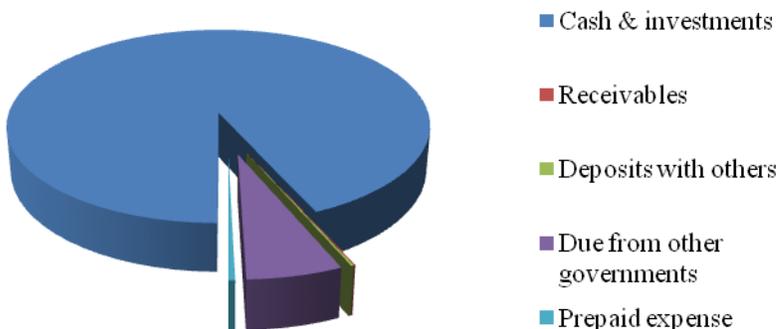


The Commission's net assets as of June 30, 2011 are considered restricted by enabling legislation of Proposition 10 and were comprised of the following:

Assets, Current and Other

- Cash and investments totaling \$90.1 million. All of the \$90.1 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 by the Commission's Treasurer for compliance with the Commission's Annual Investment Policy.
- Due from other governments totaling \$5.9 million. Of this amount, \$4.9 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2011 allocations.
- Other current assets totaling \$0.7 million consisting of \$0.1 million in interest receivable, \$0.2 million in deposits with others and \$0.4 million in prepaid expense.

**Current Assets**  
**As of June 30, 2011**



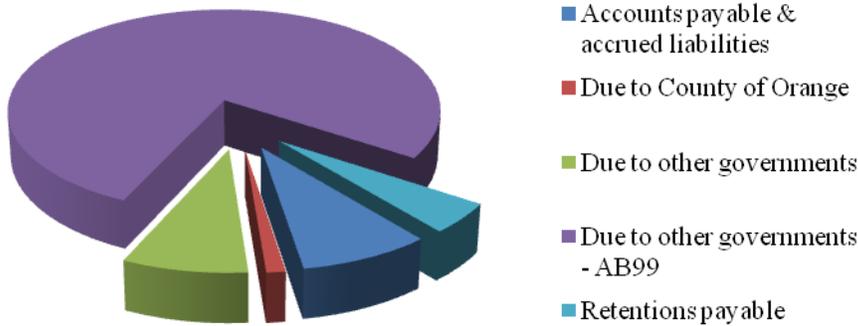
**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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Liabilities

- Accounts payable and due to other governments totaling \$62.4 million. This represented \$11.0 million in payables to grantees for services not yet billed at June 30, 2011 based on established contract terms and a one-time payment of \$51.4 million to the State as established by AB99 legislation.
- Retentions payable totaling \$3.1 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 \$0.9 million consisting of \$0.8 million in due to the County of Orange and \$0.1 million in accrued wages and benefits.

**Current Liabilities**  
**As of June 30, 2011**



**Changes in Net Assets.** For the year ended June 30, 2011, current year operations decreased the Commission's net assets by \$72.8 million or 266%. The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
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	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Percent Increase (Decrease)</u>
<b>Revenues:</b>			
<b>Program Revenues</b>			
Tobacco taxes	\$ 28,809,921	\$ 29,706,126	-3%
Tobacco taxes for State School			
Readiness program	-	4,349,489	-100%
Other State operating grants and contributions	-	145,834	-100%
Interest income earned on tobacco taxes at the State	15,331	82,000	-81%
Federal operating grants	641,124	752,152	-15%
Total program revenues	<u>29,466,376</u>	<u>35,035,601</u>	-16%
<b>General Revenues</b>			
Investment income	818,294	1,141,118	-28%
Other revenues	26,983	40,509	-33%
Total general revenues	<u>845,277</u>	<u>1,181,627</u>	-28%
Total revenues	<u>30,311,653</u>	<u>36,217,228</u>	-16%
<b>Expenses:</b>			
0-5 Child development programs	49,431,679	46,836,184	6%
State School Readiness programs	-	6,844,534	-100%
Salaries and benefits	2,290,307	2,415,467	-5%
Total expenses	<u>51,721,986</u>	<u>56,096,185</u>	-8%
Extraordinary item: Accrual of AB99 liability	<u>51,369,439</u>	<u>-</u>	100%
<b>Change in net assets:</b>	(72,779,772)	(19,878,957)	266%
Net assets - July 1	102,843,602	122,722,559	-16%
Net assets - June 30	<u>\$ 30,063,830</u>	<u>\$ 102,843,602</u>	-71%

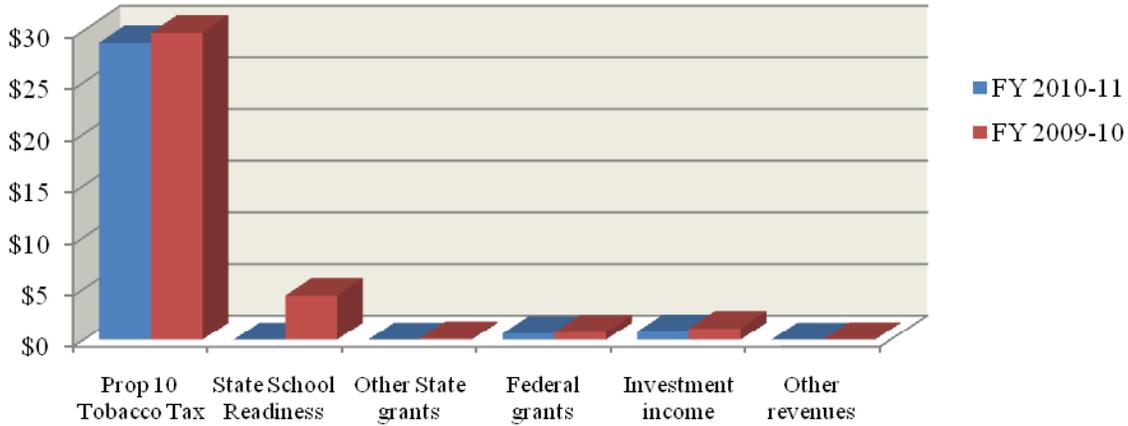
Total revenues

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
(Unaudited)  
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**Total Revenues**  
**Comparison of Current and Prior Fiscal Years**  
(\$ in millions)



- *Program revenues*  
The Commission's program revenues totaled \$29.5 million in FY 2010-11 and accounted for 97.2% of total revenues. This represented a decrease of \$5.5 million (16%) from FY 2009-10 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 \$0.9 million (3%) from the prior fiscal year.
  - The California Children and Families Commission (First 5 California) forecasted a decline of 3-5% each fiscal year in the tobacco tax revenue allocation models. These models are calculated using birthrate data and tobacco sales and usage.
  - In FY 2009-10, the greater decrease than forecasted in tobacco tax revenues was thought to be due to a combination of factors including, but not limited to, an increase in tobacco sales via the internet and purchases outside the State of California, a decrease in the number of smokers and the implementation of a federal tobacco tax in March 2009 (SCHIP).
  - In FY 2010-11, the effects of the shift in tobacco tax purchases and the implementation of the federal tobacco tax appear to have leveled off and the annual decline in revenues has aligned with the State revenue allocation models again.
- Tobacco Tax Revenue for State School Readiness program includes revenues received from the California Children & Families Commission for a state-wide initiative implemented to supplement funding to local schools. This revenue decreased by \$4.3 million (100%) from the prior fiscal year due to the end of the state-wide initiative in FY 2009-2010.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
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- Other State operating grants and contributions includes revenue special needs and school readiness grants. This revenue decreased by \$0.1 million (100%) from the prior fiscal year due to the end of the related programs in the prior fiscal year.
- Federal operating grants includes revenues from federal grant programs of VISTA, MAA (Medical Administrative Activities), and ARRA Health and Research grant. These revenues decreased by \$0.1 million (15%) due to the shift in administration of the AmeriCorps program to the State, a reduction in claims related to the MAA program, and the end of the VISTA ARRA grant (American Recovery and Reinvestment Act) in the current fiscal year.

*General revenues*

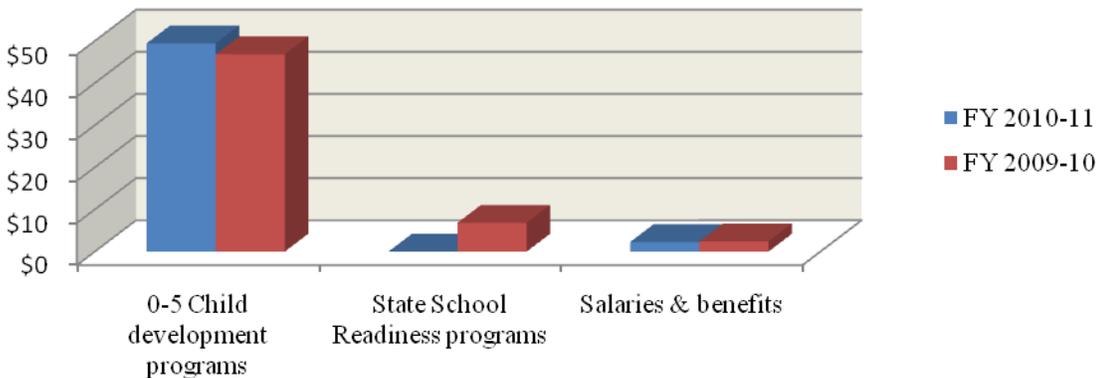
The Commission's general revenues totaled \$0.8 million in FY 2010-11 and accounted for 2.8% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income, royalties and miscellaneous revenues.

- The largest general revenue, investment income, decreased by \$0.3 million (28%) 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 lower returns in the fixed income markets combined with less available investable cash balances. During FY 2010-11, OCIP had an annual average yield of 0.67% in comparison to an annual average yield of 1.02% in FY 2009-10.

Governmental Activities Expenses

Total child developmental expenses decreased by \$4.3 million (8%) from the prior fiscal year. The increase is comprised of increased expenses of \$2.6 million in 0-5 Child development programs, offset by decreased expenses of \$6.8 million in State School Readiness program and \$0.1 million in salaries and benefits.

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



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
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- 0-5 Child development programs increased by \$2.5 million (6%) 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. Contributing to the increase in FY 2010-11 is increased spending on Pediatric Health Services programs (\$0.2 million), and Fitness/Nutrition programs (\$5.1 million), offset by decreased spending on Homeless Prevention programs (\$0.7 million), AmeriCorps/Vista program (\$1.0 million), Evaluation & Reporting expenses (\$0.5 million) and Administrative expenses (\$0.2 million).
- State School Readiness program expenses decreased by \$6.8 million (100%) from the prior fiscal year due to the end of the state-wide initiative in FY 2009-10.
- Salaries and benefits decreased by \$0.1 million (5%) from the prior fiscal year due to vacant positions resulting in salary savings offset by increases in retirement and benefit costs in the current fiscal year.

Extraordinary Item

The extraordinary item - AB99 liability was a one-time increase in total expenses of \$51.4 million due to the passage of the legislation in the current fiscal year to offset the State's budget deficit in Health and Human Services programs. The legislation is currently being litigated; however, the payment is due by June 30, 2012 and has been accrued accordingly.

**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 general government functions 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.

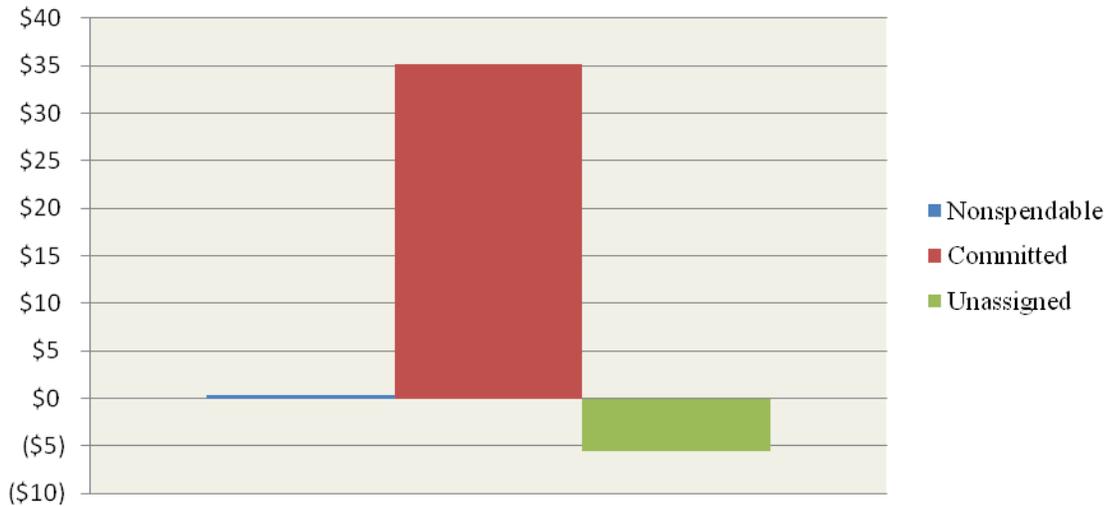
As of the end of the current fiscal year, the Commission's general fund reported total ending fund balance of \$29.9 million, a decrease of \$72.7 million (71%) in comparison with the prior fiscal year.

Total fund balance decreased due to the one-time AB99 liability accrual (see notes to the financial statements for further detail) and the use of \$21.3 million in fund balance reserves to bridge the gap between current year revenue and expenditures.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
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**Fund Balance Classifications**  
**As of June 30, 2011**  
**(\$ in millions)**



**General Fund Budgetary Highlights**

**Budget Amendments.** The budget amendments are approved annually during the 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 decreased by \$622,000 in the Prop 10 tobacco tax revenue line item. The decrease was based on mid-year trends reported by the California Children & Families Commission and actual receipts of tobacco tax distributions.
- Total budgeted appropriations were increased by \$8,867,389 in the 0-5 child development program expenditures line item. The major components of the increase are summarized as follows:
  - Health Access and Education – increase of \$945,000 comprised of \$0.4 million of carryover of prior year unspent funds, \$0.5 million of new appropriations for increased capacity through facility expansion, and \$0.2 million of new appropriations for new programs at the YMCA facility opened in FY 2010-11.
  - Fitness/Nutrition – increase of \$6,519,500 for the carryover over of prior year unspent funds related to the YMCA program facility that was paid out in FY 2010-11.
  - Ready to Learn - increase of \$1,296,575 in early literacy and early learning programs not included in original budget due to realignment of program contracts.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2011**

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**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 2010-11 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total budgeted revenues exceeded actual revenues in FY 2010-11 by \$1.1 million (3%). Decreases in actual Prop 10 tobacco tax revenues and investment income comprised the bulk of the variance. Prop 10 tobacco taxes were lower than expected due to decreased tobacco sales, and investment income had lower actual rates of return.
- Total budgeted appropriations exceeded actual expenditures in FY 2010-11 by \$3.9 million.
  - 0-5 child development program expenditures were less than budgeted appropriations by \$3.7 million. During the fiscal year, savings in all four strategic goal areas were negotiated by the Commission within the grantees' current contracts in order to prepare for reduced funding as a result of the AB99 legislation implementation. In addition, actions to reduce administrative functions (other than salaries and benefits) were also taken during the fiscal year. The savings are detailed as follows:
    - Healthy Children – \$1.4 million (including Health Access/Education and School Readiness Nursing programs)
    - Strong Families - \$1.4 million (including Homeless Prevention and Family Support Services)
    - Ready to Learn - \$0.9 million (including School Readiness and Early Literacy programs)
    - Administrative functions - \$0.4 million (including Professional and Technical Services and Strategic Communications)
  - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.2 million. Salary savings resulted from positions not filled during the current fiscal year.

**FY 2011-12 Operating Budget**

The Fiscal Year 2011-12 Operating Budget was adopted by the Commission in May 2011. Due to the pending litigation regarding AB99, the Commission adopted an AB99 compliant budget which included reductions to program funding based on the assumption that approximately \$51 million will be paid to the State by June 30, 2012. The total budgeted appropriations are approximately \$35.3 million, which is a net decrease of \$20.2 million (36.4%) from the final adopted Fiscal Year 2010-11 Operating Budget. The net decrease reflects the impact of the following:

- \$20.8 million (41.0%) decrease in 0-5 child development program funding. Recommendations were made by funding review panels and approved by the Commission. Recommendation factors included the following:
  - Impact to fewest number of children
  - Protection of critical services to the most at-risk and vulnerable children
  - Capacity of program continuance, absent Commission funding
  - Degree to which Commission funding provides leverage for drawdown of state and federal funding

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**Management's Discussion and Analysis**  
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- \$1.0 million (24%) decrease in administrative functions comprised of reductions in professional/technical services (\$0.3 million), Commission salaries and benefits (\$0.4 million), strategic communications (\$0.2 million) and office supplies (\$0.1 million).
- \$1.8 million (100%) increase in one-time catalytic set-aside. The one-time allocation will support the transition of direct health services, including clinical and specialty services, and will be re-evaluated mid-year based on the FY 2011-12 first and second quarter actual revenues.

**Related Events**

The State projects a continuing decrease of State Tax Allocations revenue and a decrease in the share allocated to the Children and Families Commission of Orange County due to a proportionally lower birth rate combining for a projected annual revenue decrease estimated at 3% per year.

The State of California continues to experience fiscal difficulties in Fiscal Year 2011-2012. The Commission has continued partnering with the County of Orange to identify potential reductions to safety net services in the FY 2011-12 State Budget and to incorporate those needs into the ongoing review of the Commission's financial plan.

**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, 2011. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Children & Families Commission of Orange County, 17320 Red Hill Avenue, Suite 200, Irvine, California 92614.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATEMENT OF NET ASSETS

JUNE 30, 2011

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	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 90,100,671
Imprest cash	15,000
Interest receivable	87,099
Deposits with others	165,488
Due from other governments	5,857,799
Prepaid expense	399,279
Capital assets, net of accumulated depreciation	235
<b>TOTAL ASSETS</b>	<u>96,625,571</u>
<b>LIABILITIES</b>	
Accounts payable	5,608,886
Due to County of Orange	827,625
Due to other governments	5,412,394
Due to State of California- AB99	51,369,439
Retentions payable	3,098,974
Accrued wages and benefits	84,030
Compensated absences:	
Payable within one year	100,267
Payable after one year	60,126
<b>TOTAL LIABILITIES</b>	<u>66,561,741</u>
<b>NET ASSETS</b>	
Invested in capital assets	235
Unrestricted by enabling legislation for use on children's programs	30,063,595
<b>TOTAL NET ASSETS</b>	<u>\$ 30,063,830</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2011**

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	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental Activities: Child development	\$ 51,721,985	\$ 29,466,374	\$ (22,255,610)
General Revenues:			
Investment income			818,294
Miscellaneous			26,983
Extraordinary Item: AB99 liability			(51,369,439)
Total General Revenues and Extraordinary Item			(50,524,162)
Change in Net Assets			(72,779,772)
Net Assets, July 1			102,843,602
Net Assets, June 30			\$ 30,063,830

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
GOVERNMENTAL FUND BALANCE SHEET**

**JUNE 30, 2011**

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	General Fund
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 90,100,671
Imprest cash	15,000
Interest receivable	87,099
Deposits with others	165,488
Due from other governments	5,857,799
Prepaid expense	399,279
	<u>399,279</u>
Total Assets	\$ 96,625,336
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 5,608,886
Due to County of Orange	827,625
Due to other governments	5,412,394
Due to State of California- AB99	51,369,439
Retentions payable	3,098,974
Accrued wages and benefits	84,030
Deferred revenue	248,513
	<u>248,513</u>
Total Liabilities	66,649,862
<b>FUND BALANCES</b>	
Nonspendable fund balance	399,279
Committed fund balance	35,123,581
Unassigned fund balance	(5,547,384)
	<u>(5,547,384)</u>
Total Fund Balances	29,975,476
Total Liabilities and Fund Balances	\$ 96,625,336

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

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Fund balances of governmental funds	\$ 29,975,476
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	235
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(160,393)
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.	<u>248,513</u>
Net Assets of governmental activities	<u><u>\$ 30,063,830</u></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, 2011**

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**REVENUES**

Prop 10 Tobacco Tax	\$ 28,809,920
Investment income earned on tobacco taxes at the State level	15,331
Federal operating grants	686,722
Investment income	818,294
Other revenue	26,983
	<hr/>
Total Revenues	30,357,250
	<hr/>

**EXPENDITURES**

Current:

Salaries and benefits	2,320,098
Expenditures related to the "Zero to Five" Program	49,431,114
	<hr/>
Total Expenditures	51,751,212
	<hr/>

Excess (deficiency) of revenues over (under) expenditures (21,393,962)

Extraordinary Item: Accrual of AB99 liability (51,369,439)

Change in Fund Balance (72,763,401)

FUND BALANCE, July 1 102,738,877

FUND BALANCE, June 30 \$ 29,975,476

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
RECONCILIATION OF THE CHANGE IN FUND BALANCE  
TO THE CHANGE IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2011**

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Net changes in fund balance - total governmental funds	\$ (72,763,401)
<p>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:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.</p>	
Depreciation expense	(563)
<p>Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.</p>	
	29,791
<p>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.</p>	
	<u>(45,599)</u>
Change in net assets of governmental activities	<u><u>\$ (72,779,772)</u></u>

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**

**FOR THE YEAR ENDED JUNE 30, 2011**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Prop 10 Tobacco Tax	\$ 30,122,000	\$ 29,500,000	\$ 28,809,920	\$ (690,080)
Investment income earned on tobacco taxes at the State level	125,000	125,000	15,331	(109,669)
Federal operating grants	660,000	660,000	686,722	26,722
Investment income	1,100,000	1,100,000	818,294	(281,706)
Other revenue	-	-	26,983	26,983
Total Revenues	<u>32,007,000</u>	<u>31,385,000</u>	<u>30,357,249</u>	<u>(1,027,751)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	2,495,502	2,495,502	2,320,098	175,404
Expenditures related to the "Zero to Five" Program	44,257,003	53,124,392	49,431,114	3,693,278
Capital outlay	53,000	53,000	-	53,000
Total Expenditures	<u>46,805,505</u>	<u>55,672,894</u>	<u>51,751,212</u>	<u>3,921,682</u>
Extraordinary Item: Accrual of AB99 liability	-	-	(51,369,439)	51,369,439
Net Change in Fund Balance	(14,798,505)	(24,287,894)	29,975,475	54,263,369
FUND BALANCE, July 1	<u>102,738,877</u>	<u>102,738,877</u>	<u>102,738,877</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 87,940,372</u>	<u>\$ 78,450,983</u>	<u>\$ 132,714,352</u>	<u>\$ 54,263,369</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, 2011**

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**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 assets 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 and liabilities of the Commission are included on the statement of net assets. The difference between the Commission's assets and liabilities of net assets. Net assets represent the resources the Commission has available for use in providing services. The Commission's net assets are classified as follows:

Invested in Capital Assets – This amount represents the Commission's capital assets, net of accumulated depreciation.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Government-Wide Financial Statements (Continued)

Restricted Net Assets – This category represents restrictions imposed on the use of the Commission’s resources by parties outside of the government or by law through constitutional provisions or enabling legislation.

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 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 net current assets. 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.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

**Capital assets, net of accumulated depreciation**

Equipment is not considered to be financial resources 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.

Depreciation expense for the year ended June 30, 2011 amounted to \$563 and is included in the child development function in the statement of activities.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Deferred Revenue**

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 deferred at year-end in the fund financial statements. Deferred revenue of \$248,513 at June 30, 2011 was recognized as revenue in the government-wide financial statements.

**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.

**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.

**Net Assets**

The net assets of the Commission are used for early childhood development and school readiness programs. As such, in accordance with GASB Statement No. 34, the fund balance has been reclassified to unrestricted net assets on the statement of net assets.

**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. The Commission's significant estimates are recorded in accounts payable and due to other governments and pertain to accruals for services provided by grantees and vendors but not invoiced as of June 30, 2011.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**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, 2011, 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.

**Fund Balance**

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes 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 in FY 2010-2011, the Commission established the following classifications and definitions of fund balance for the year ended June 30, 2011:

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. Includes legally enforceable multi-year contracts not yet spent, specific agreements approved but not yet executed.

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.

**Minimum Fund Balance Policy**

The policy of the Commission is to maintain a minimum fund balance equal to 25% of the Commission's annual operating budget. The fund balance will be used to mitigate the impact on contracted services due to unanticipated circumstances and events, provide adequate resources for cash flow, and to mitigate short-term effects of revenue shortages. The amount of the minimum fund balance is subject to approval by the Board of Commissioners as part of the annual budget adoption. At June 30, 2011, the Commission did not maintain the minimum fund balance due to the accrual of the AB99 payment due to the State.

Refer to Note 7 for additional details regarding the GASB 54 classification of fund balance.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Encumbrances**

The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts and other commitments are reported on the balance sheet as reservations of fund balance at year-end since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the fiscal year.

**Effect of New Governmental Accounting Standards Board (GASB) Pronouncements**

GASB Statement No. 54 – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes 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. This statement is effective in June 30, 2011. The Commission has implemented this statement for the fiscal year ended June 30, 2011.

GASB Statement No. 57 – In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement addresses the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements. This statement is effective in June 30, 2011. The Commission has determined that this statement is not applicable.

GASB Statement No. 59 – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is effective in June 30, 2011. The Commission has determined that this statement is not applicable.

GASB Statement No. 61 – In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement is to results in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement is not effective until June 30, 2013. The Commission has not determined the effect of this statement.

GASB Statement No. 62 – In June 2011, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with our contradict GASB pronouncements. This statement is not effective until June 30, 2013. The Commission has not determined the effect of this statement.

GASB Statement No. 63 – In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This statement is not effective until June 30, 2013. The Commission has not determined the effect of this statement.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011**

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

GASB Statement No. 64 – In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is not effective until June 30, 2012. 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	\$ 90,100,670
Imprest Cash	15,000
	_____
Total Cash and Investments	\$ 90,115,670
	_____

Cash and investments consisted of the following at June 30, 2011:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 90,100,670
Imprest Cash	15,000
	_____
Total Cash and Investments	\$ 90,115,670
	_____

Investments Authorized by the California Government Code and the Commission’s Investment Policy

The table below identifies the investment types that are authorized by the California Government Code or the Commission’s investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the Commission’s investment policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	3 years	None	None
Orange County Investment Pool	N/A	None	None

The Commission’s deposit in the Orange County Treasurer’s Money Market Fund of the Investment Pool (Pool) is similar to a demand deposit and amounts can be withdrawn at any time without prior written notice. The County’s Investment Policy Statement establishes policies governing the Pool. Interest is apportioned to the Commission monthly based on the average daily balances on deposit with the County Treasurer. The County Treasury Oversight Committee, established in December 1995, conducts Pool oversight. The weighted average maturity of the Pool is approximately 342 days as of June 30, 2011. The Commission’s equity in the Pool was 2.89% of the total Pool. For further information regarding the Orange County Investment Pool, refer to the County of Orange Comprehensive Annual Financial Report.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Cash on deposit with the Treasurer at June 30, 2011 is stated at fair value. The Pool values participant shares on an amortized cost basis during the year and adjusts the value at year-end to fair value based on quoted market prices and matrix pricing. The fair value adjustment at June 30, 2011 increased the Commission’s investment income by \$42,599. Investments in pools managed by other governments are not subject to categorization because they are not evidenced by securities that exist in physical or book entry form.

Credit Risk

The County Treasure’s Investment Policy limits investments in any specific purpose investment portfolio to the short-term category to mitigate interest rate risk and defines a minimum credit rating from Moody’s and Standard & Poors (S&P) for issuers of financial instruments to minimize credit risk. For an issuer of short-term debt, the rating must be no less than P-1 (Moody’s) or A-1 (S&P) while an issuer of long-term debt shall be rated no less than A. At June 30, 2011, the Orange County Investment Pool was assigned by S&P at a AAAM Principal Stability Fund Rating.

**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, 2011, were as follows:

Due from State Commission:		
Prop 10 revenue for:		
May 2011	\$	2,542,798
June 2011		2,654,240
Surplus Money Investment Fund Allocations		15,331
Due from other governmental agencies for:		
Medi-Cal Administrative Activities (MAA)		520,327
ARRA Health Research Grant		35,189
Vista funds		89,914
Total Due from Other Governments	\$	<u><u>5,857,799</u></u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 4 – CAPITAL ASSETS**

The capital assets balance at June 30, 2011 consists of the following activity:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets depreciable:				
Equipment	\$ 26,783	\$ -	\$ -	\$ 26,783
Less accumulated depreciation:				
Equipment	(25,985)	(563)	-	(26,548)
Total Capital Assets (Net)	<u>\$ 798</u>	<u>\$ (563)</u>	<u>\$ -</u>	<u>\$ 235</u>

**NOTE 5 – DUE TO OTHER GOVERNMENTS**

The due to other governments account represents amounts due to the State of California and other local governmental agencies. The amounts due to the other governments at June 30, 2011, were as follows:

Due to local government agencies:	
FY 2010-2011 Contract Payment Accruals	\$ 5,412,394
Due to State of California:	
AB99 liability payment due 6/30/12	<u>51,369,439</u>
Total Due to Other Governments	<u>\$ 56,781,833</u>

On March 24, 2011, the governor signed Assembly Bill 99 (AB99) into law. AB 99 established the Children and Families Health and Human Services Fund (Fund). As specified in the legislation, the Fund will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires \$1 billion of the combined state and local children and families funds to be deposited in the Fund for the 2011-12 fiscal year. The amount required from each first five commission (AB 99 payment) represents 50% of the fund balance as of June 30, 2010. For the Orange County Children and Families Commission, the AB 99 liability amount is \$51,369,439 and is due by June 30, 2012. In accordance with the legislation, no 2012-2013 commission revenues will be paid until the full AB 99 payment is made. Accordingly, the commission has accrued the AB 99 obligation as a liability at June 30, 2011.

A lawsuit has been filed by the commission against the State challenging that the AB 99 bill violates the intent of Proposition 10. Refer to Note 8 for additional details.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 6 – COMPENSATED ABSENCES**

The vested compensated absences liability balance at June 30, 2011 consists of the following activity:

Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
\$ 190,184	\$ 129,276	\$ 159,067	\$ 160,393	\$ 100,267

**NOTE 7 – FUND BALANCE (GASB 54)**

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes 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. The Commission established these fund balance classifications in FY 2010-2011 and the balances at June 30, 2011 consist of the following:

Nonspendable:		
Prepaid retirement		\$ 399,279
Committed for:		
Contractual obligations		35,123,581
Unassigned		<u>(5,547,384)</u>
Total Fund Balance		<u>\$ 29,975,476</u>

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2011-2012. Refer to Note 9 for further details.

Committed for contractual obligations – consists of contract amounts approved and executed as of June 30, 2011 for FY 2011-2012 and balances remaining on contracts for FY 2010-2011. Total encumbrances outstanding as of June 30, 2011 were \$12,797,593.

Encumbrances

The Commission’s encumbrances are included in and classified as either Committed or Assigned Fund Balance in the General Fund.

**NOTE 8 – 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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 8 – CONTINGENCIES (Continued)**

AB99 was signed into effect on March 24, 2011 requiring \$1 billion of the combined state and local children and families funds to be deposited in the Children and Families Health and Human Services Fund for the 2011-12 fiscal year. The amount required from each first five commission (AB 99 payment) represents 50% of the fund balance as of June 30, 2010. For the Orange County Children and Families Commission, the AB 99 liability amount is \$51,369,439 and is due by June 30, 2012. Twelve First 5 Commissions, including the Children and Families Commission of Orange County, have filed a lawsuit against the state challenging the legality of Assembly Bill 99 (AB99). On August 30, the Fresno Superior Court heard arguments from the attorneys for the First 5 Commissions. The judge has 90 days from the hearing date to issue a decision, followed by a 60 day-period in which an appeal can be filed. The effect of the case will be recorded in the period when known.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

*Plan Description.* All full-time employees of the Commission participate in the Orange County Employees Retirement System (OCERS), which is a cost-sharing, multiple-employer, defined benefit pension plan. OCERS provides for retirement, death, disability and cost-of-living benefits, and is subject to the provisions of the County Employees Retirement Act of 1937 and other applicable statutes.

Members employed by the County of Orange or a participating agency prior to September 21, 1979, are designated as Tier I members. Members employed after September 21, 1979 are designated as Tier II members. The establishment of Tier II resulted in a reduced allowance beginning at age 50. A member's retirement allowance is based upon the member's age at retirement, final compensation and the total years of service under the system. If an employee terminates before rendering five years of service under the system, the employee forfeits the right to receive benefits and is entitled to withdraw employee contributions made together with accumulated interest. If an employee terminates after five years of service, the employee may elect to leave the accumulated deposits in the retirement fund and be granted a deferred retirement allowance at the time the member would have been entitled to the allowance if service had been continued. OCERS issues a stand-alone annual financial report, which can be obtained by writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, California 92702.

*Funding Policy.* In accordance with County Board of Supervisors resolutions establishing contribution rates, the Commission makes periodic contributions to OCERS in amounts such that, when combined with employees' contributions and investment income, will fully provide for all employees' benefits by the time they retire. The Commission's contribution rate as a percentage of payroll for General members was 29.85% for the year ended June 30, 2011. Members are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. For Tier I members, the normal rate of contribution is based on the member's age at entry in OCERS, and is calculated to provide an annual annuity equal to 1/200 of the member's "final compensation" for each year of service rendered at age 60 for General members. For Tier II General members, the rate of contribution is calculated to provide an annual annuity equal to 1/120 of the member's "final compensation" for each year of service rendered at age 60. The member average contribution rate was approximately 6.4% for the year ended June 30, 2011.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

The Commission’s annual required contribution to OCERS was \$431,625 for the year ended June 30, 2011. The Commission’s actual and actuarially required contributions were as follows:

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2009	\$ 435,600	100.00%
6/30/2010	404,289	100.00%
6/30/2011	431,625	100.00%

*Prepayment of 2011-2012 contributions.* In January 2011, the OCERS Board of Retirement authorized the offer of a 7.75% discount to plan sponsors for the early payment of their employer contributions for FY 2011-2012. With the average interest yield of the Orange County Investment Pool (OCIP) continuing to remain flat at an estimate 1.2%, most plan sponsors opted to participate in the early payment plan and have pre-paid 100% of their estimate employer contribution for FY 2011-2012. The Commission’s estimated total employer contribution for FY 2011-12 at \$432,823 and the discounted pre-payment at \$399,279. This pre-payment was considered a prudent multi-year budgeting decision that amounted to an administrative cost savings of approximately \$33,500. The Commission authorized the pre-payment in January 2011 once it was determined that the 10% administrative expenditure cap would not be exceeded and the Commission’s financial statements would not be negatively impacted.

**NOTE 10 – COMMITMENTS**

The Commission leases office space from a third party under a long-term operating lease, which expires on September 30, 2014 (FY 2014-15). The future minimum rental payments due under the lease are as follows.

2012	\$ 197,196
2013	197,196
2014	197,196
2015	49,299
	<u>\$ 640,887</u>

Rent expense was \$197,196 for the year ended June 30, 2011.

**NOTE 11 – 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, 2011 was \$49,605. The Commission incurred expenses totaling \$674,221 for all other County services provided during the year ended June 30, 2011. Of the \$827,625 owed to the County of Orange, related party transactions at June 30, 2011 was \$19,438 and the remaining \$808,187 was for Health Care Agency and Social Services Agency program expenses.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 12 – 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, 2011, the Commission expended \$817,868 for program evaluation.

**NOTE 13 – 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 2010-2011 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.

*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, 2011, the Commission was required to contribute 2.7% 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, 2011 were \$38,023 which equaled the required contributions.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2009	\$ 42,960	100.00%
6/30/2010	28,404	100.00%
6/30/2011	38,023	100.00%

Plan members are currently not required to contribute to the plan but retirees are required to pay for the cost of retiree medical benefits in excess of their grant amount.

For additional details, actuarial assumptions, funded status of the plan and required supplementary information refer to the County’s CAFR.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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**Orange County Employees Retirement System**

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<b>Plan Year Ended December 31</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b> <sup>(1)</sup>	<b>Percentage Contributed</b>
2005	227,892,000	227,892,000	100.0%
2006	277,368,000	277,368,000	100.0%
2007	326,736,000	326,736,000	100.0%
2008	359,673,000	360,365,000 <sup>(2)</sup>	100.2%
2009	337,496,000	338,387,000 <sup>(3)</sup>	100.3%
2010	372,437,000	372,437,000	100.0%

<sup>(1)</sup> Excludes transfers from County Investment Account. See below.

<b>Plan Year Ended December 31</b>	<b>Transfers from County Investment Account</b>
2005	9,675,000
2006	0 *
2007	0
2008	0
2009	34,900,000
2010	11,000,000

\* Revised based on information provided in 2011 as part of the reallocation of

<sup>(2)</sup> Revised based on information provided in 2011 as part of the reallocation of contributions and benefit payments by Rate Group.

<sup>(3)</sup> Includes \$891,000 in additional contributions made by OCFA towards the reduction of their UAAL.

See accompanying note to the required supplemental information.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

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**Orange County Employees Retirement System**

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<b>Actuarial Valuation Date December 31</b>	<b>Valuation Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
2005	5,786,617,000	8,089,627,000	2,303,010,000	71.53%	1,276,764,000	180.38%
2006	6,466,085,000	8,765,045,000	2,298,960,000	73.77%	1,322,952,000	173.78%
2007	7,288,900,000	9,838,686,000	2,549,786,000	74.08%	1,457,159,000	174.98%
2008	7,748,380,000	10,860,715,000	3,112,335,000	71.34%	1,569,764,000	198.27%
2009	8,154,687,000	11,858,578,000	3,703,891,000	68.77%	1,618,491,000	228.85%
2010	8,672,592,000	12,425,873,000	3,753,281,000	69.79%	1,579,239,000	237.66%

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See accompanying note to the required supplemental information.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
INFORMATION FOR THE ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

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<b>Valuation Date</b>	December 31, 2010
<b>Actuarial cost method</b>	Entry Age Normal Actuarial Cost Method
<b>Amortization method</b>	Level percent of payroll for total unfunded liability (3.50% payroll growth assumed)
<b>Remaining amortization period</b>	24 years closed (declining) amortization of outstanding balance of December 31, 2004 UAAL. The outstanding balance of the UAAL established in the December 31, 2009 valuation as a result of including additional premium pay items as pensionable salary and the new UAAL established in the December 31, 2010 valuation as a result of reallocating contributions and benefit payments among Rate Groups are also amortized over a 24-year period, in the December 31, 2010 valuation. Any increases or decreases in UAAL that arise in future years due to actuarial gains or losses will be amortized over separate 15-year periods. Any increases or decreases in UAAL due to changes in actuarial assumptions are amortized over separate 30-year periods.
<b>Asset valuation method</b>	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected return on a market value basis, and is recognized over a five-year period. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

**Actuarial assumptions:**

Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.00%
Projected salary increases*	4.50% to 11.50% for General members; 4.50% to 13.50% for Safety members based on service.
Cost of living adjustments	3.00%

**Plan membership:**

Retired members and beneficiaries	12,762
Terminated members entitled to, but not yet receiving benefits	4,308
Active members	<u>21,742</u>
Total	<u>38,812</u>

See accompanying note to the required supplemental information.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 1 – ORANGE COUNTY EMPLOYEES’ RETIREMENT SYSTEM (OCERS)**

The Commission participates in the Orange County Employees Retirement System (OCERS), which is a cost-sharing, multiple-employer, defined benefit pension plan. OCERS issues a stand-alone annual financial report, but production of the year ended December 31, 2010 report has been delayed and is not publicly available.

The included schedule of funding progress and schedule of employer contributions with related notes is presented at the OCERS plan level. As a cost-sharing participant, the Commission’s annual required contribution for the year ended December 31, 2010 was approximately .11% of the OCERS total annual required contribution of \$372,437,000. OCERS reported a total of 21,742 active members which includes 15 Commission employees.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATISTICAL SECTION <sup>(v)</sup>  
(UNAUDITED)**

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The information in this section is not covered by the Independent Auditor’s 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.

	<u>Pages</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the Commission’s financial performance and well-being have changed over time.	XX
<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the Commission’s most significant revenue base.	XX
<u>Demographic Information</u> 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.	XX
<u>Operating Information</u> 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.	XX

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS\***

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Restricted	\$ 30,063,595	\$ 102,842,804	\$ 122,720,258	\$ 142,142,025	\$ 151,578,753	\$ 152,265,738	\$ 146,184,260
Invested in capital assets	235	798	2,301	5,121	7,942	11,419	16,213
Total net assets	<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>	<u>\$ 146,200,473</u>

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS\***

	<u>Fiscal Year</u>						
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:							
Prop 10 Tobacco taxes	\$ 28,809,921	\$ 29,706,126	\$ 33,396,055	\$ 35,494,096	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
Prop 10 State School Readiness	-	4,349,489	4,294,144	4,114,774	1,706,125	2,554,681	3,698,878
Other State operating grants and contributions	-	145,834	104,166	352,597	669,897	330,598	476,537
Investment income earned on tobacco taxes at the State Level (SMIF)	15,331	82,000	82,479	190,332	430,669	203,588	871,949
Federal operating grants	641,124	752,152	1,020,269	1,020,556	2,237,302	307,741	4,601,132
Investment income	818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
Other revenue	26,983	40,509	210,659	148,113	41,527	176,257	210,602
<b>Total revenues</b>	<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>53,533,327</u>
Expenses:							
Current:							
Salaries and benefits	2,290,308	2,415,467	2,439,415	2,323,471	2,258,080	2,241,058	1,675,442
Expenses related to "Zero to Five" Program	49,431,678	46,836,184	54,377,591	51,331,591	42,972,440	36,171,992	46,969,598
Services and supplies for State School Readiness program		6,844,534	5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
Extraordinary Item: Accrual of AB99 liability	51,369,439						
<b>Total expenses</b>	<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>	<u>52,878,003</u>
<b>Change in net assets</b>	<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>	<u>\$ 655,324</u>

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
 FUND BALANCES - GENERAL FUND  
 LAST SEVEN FISCAL YEARS\*

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Reserved							
Reserved for imprest fund		\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -
Reserved for encumbrances		43,044,502	70,245,812	2,207,285	22,151,367	20,116,494	16,586,404
Reserved for contractual obligations		24,677,280	27,017,022	68,027,433	-	33,553,325	32,771,294
Reserved for capital projects		2,500,050	4,000,000	5,000,000	-	-	-
Reserved for First 5 California initiatives				8,690,731	5,378,112		
Unreserved							
Designated for program operations		2,495,502	3,128,463	-	-	-	-
Designated for future funding cycles and operating budget		30,006,543	18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
Total fund balances	\$ -	\$ 102,738,877	\$ 122,521,616	\$ 142,192,579	\$ 151,474,018	\$ 143,409,869	\$ 139,097,748

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
FUND BALANCES							
Nonspendable fund balance	\$ 399,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted fund balance	-	-	-	8,690,731	5,378,112	-	-
Committed fund balance	35,123,581	67,721,782	97,262,834	70,234,718	22,151,367	53,669,819	49,357,698
Assigned fund balance		5,010,552	7,143,463	5,015,000	15,000	-	-
Unassigned fund balance	(5,547,385)	30,006,543	18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
Total fund balances	\$ 29,975,475	\$ 102,738,877	\$ 122,521,616	\$ 142,192,579	\$ 151,474,018	\$ 143,409,869	\$ 139,097,748

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHANGES IN FUND BALANCES - GENERAL FUND  
LAST SEVEN FISCAL YEARS\***

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Revenues:							
Prop 10 Tobacco taxes	\$ 28,809,921	\$ 29,706,126	\$ 33,396,055	\$ 35,527,837	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
Prop 10 State School Readiness	-	4,349,489	4,294,144	4,114,774	10,461,757	-	-
Other State operating grants and contributions	-	145,834	104,166	352,597	669,897	311,792	193,567
Investment income earned on tobacco taxes at the State Level (SMIF)	15,331	82,000	82,479	190,332	430,669	-	871,949
Federal operating grants	686,722	840,427	757,061	1,130,638	2,237,302	1,432,084	1,848,076
Investment income	818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
Other revenue	<u>26,983</u>	<u>40,509</u>	<u>210,659</u>	<u>148,113</u>	<u>41,527</u>	<u>36,867</u>	<u>181,836</u>
Total revenues	<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>	<u>46,769,657</u>
Expenditures:							
Current:							
Salaries and benefits	2,320,099	2,409,027	2,425,403	2,312,004	2,262,578	2,218,293	1,670,398
Expenditures realted to "Zero to Five" Program	49,431,115	46,834,681	54,374,771	51,328,771	42,968,962	36,167,198	46,965,745
Services and supplies for State School Readiness program		6,844,534	5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
Capital outlay	-	-	-	-	-	-	11,286
Extraordinary Item: Accrual of AB99 liability	51,369,439						
Total expenditures	<u>103,120,653</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>	<u>52,880,392</u>
Excess of revenues over expenditures	<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>	<u>\$ (6,110,735)</u>

\* Statistical information is presented as of the first fiscal year that GASB 34 was implemented.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY**

<b>Actual Revenues Received (1)</b>	<b><u>Orange County</u></b>	<b><u>State Total</u></b>
2003/2004	\$39,551,911	\$458,509,867
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
<hr/>		
<b>Projected Revenues (2)</b>		
2011/2012	\$27,455,693	\$357,719,200
2012/2013	\$26,090,767	\$341,644,800
2013/2014	\$24,986,902	\$328,844,800
2014/2015	\$23,892,790	\$316,044,800

\* Historical data and projected revenues are presented to communicate tax revenue capacity as a declining revenue source

(1) Source: First 5 California County Funds Distributions; historical data is presented as of the first fiscal year that GASB 34 was implemented.

(2) Source: First 5 California County Tax Revenue Projections for 2010/11 to 2014/15 (Updated 5/18/11 utilizing DOF May Revise 2011 Tobacco Tax Projections and DOF 2009 Birth Projections for California State and Counties 1980-2018)

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**STATE OF CALIFORNIA - CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE, 1959-60 TO 2008-09**

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Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
1	2	3	4	5	6	7
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	50,037,000	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% 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 i/	37.47
1988-89	499,712,000 h/	4,273,000	503,984,000	4,968,000	9,994,000 i/	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	1,567,000		
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 v/	62,558,000	67,000		

Source: State Board of Equalization 2009-2010 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2009-10

- a. Net of refunds for tax indicia on cigarettes that become unfit for use (See column 5).
  - 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 2 percent.
  - 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 \$324,000.
  - 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.
- Note: Detail may not compute to total due to rounding.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2009-10**

Fiscal year	Reported distributions			Apparent per capita consumption (a.) (In packages)
	Total	Tax paid	Tax exempt	
1	2	3	4	5
2009-10	1,002,000,000	972,000,000	30,000,000	25.9
2008-09	1,090,000,000	1,058,000,000	32,000,000	28.5
2007-08	1,131,000,000	1,107,000,000	24,000,000	29.9 r
2006-07	1,177,000,000	1,158,000,000	20,000,000	31.3
2005-06	1,209,000,000	1,190,000,000	19,000,000	32.5
2004-05	1,224,000,000	1,187,000,000	37,000,000	33.3
2003-04	1,234,000,000	1,184,000,000	50,000,000	34.0
2002-03	1,227,000,000	1,196,000,000	31,000,000	34.5
2001-02	1,271,000,000	1,237,000,000	34,000,000	36.3
2000-01	1,324,000,000	1,288,000,000	37,000,000	38.5
1999-00	1,390,000,000	1,353,000,000	38,000,000	41.2
1998-99	1,568,000,000	1,523,000,000	45,000,000	47.3
1997-98	1,717,000,000	1,668,000,000	48,000,000	52.6
1996-97	1,777,000,000	1,716,000,000	61,000,000	55.2
1995-96	1,811,000,000	1,742,000,000	69,000,000	56.9
1994-95	1,871,000,000	1,791,000,000	80,000,000	59.2
1993-94	1,903,000,000	1,824,000,000	79,000,000	60.6
1992-93	2,010,000,000	1,923,000,000	86,000,000	64.5
1991-92	2,144,000,000	2,050,000,000	94,000,000	69.8
1990-91	2,196,000,000	2,102,000,000	93,000,000	72.8
1989-90	2,311,000,000	2,219,000,000	92,000,000	78.2
1988-89	2,431,000,000	2,353,000,000	78,000,000	84.7
1987-88	2,657,000,000	2,570,000,000	87,000,000	94.9
1986-87	2,690,000,000	2,595,000,000	95,000,000	98.4
1985-86	2,730,000,000	2,632,000,000	98,000,000	102.3
1984-85	2,781,000,000	2,673,000,000	108,000,000	106.7
1983-84	2,792,000,000	2,675,000,000	117,000,000	109.9
1982-83	2,889,000,000	2,761,000,000	128,000,000	115.8
1981-82	2,947,000,000	2,811,000,000	136,000,000	120.4
1980-81	2,966,000,000	2,825,000,000	141,000,000	123.6
1979-80	2,892,000,000	2,744,000,000	148,000,000	122.9
1978-79	2,887,000,000	2,730,000,000	157,000,000	125.1
1977-78	2,940,000,000	2,774,000,000	166,000,000	130.0
1976-77	2,900,000,000	2,728,000,000	172,000,000	130.9
1975-76	2,909,000,000	2,722,000,000	187,000,000	133.7
1974-75	2,857,000,000	2,664,000,000	193,000,000	133.7
1973-74	2,827,000,000	2,620,000,000	207,000,000	134.4
1972-73	2,762,000,000	2,553,000,000	209,000,000	133.2
1971-72	2,720,000,000	2,505,000,000	215,000,000	132.9
1970-71	2,635,000,000	2,424,000,000	211,000,000	130.5
1969-70	2,594,000,000	2,393,000,000	201,000,000	130.2
1968-69	2,616,000,000	2,409,000,000	207,000,000	133.0
1967-68	2,596,000,000	2,383,000,000	213,000,000	134.0
1966-67	2,737,000,000	2,573,000,000	164,000,000	143.8
1965-66	2,706,000,000	2,547,000,000	159,000,000	144.9
1964-65	2,679,000,000	2,534,000,000	145,000,000	146.7
1963-64	2,564,000,000	2,433,000,000	131,000,000	144.3
1962-63	2,545,000,000	2,409,000,000	136,000,000	147.9
1961-62	2,450,000,000	2,320,000,000	130,000,000	147.3
1960-61	2,382,000,000	2,258,000,000	124,000,000	147.8
1959-60	2,190,000,000	2,085,000,000	105,000,000	139.7

Source: State Board of Equalization 2009-2010: Annual Report Cigarette Distributions and Per Capita Consumption, 1959-60 to 2009-10

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
DEMOGRAPHIC DATA**

	2011 <sup>(*1)</sup>	2010 <sup>(*1)</sup>	2009 <sup>(*1)</sup>	2008 <sup>(*2)</sup>	2007 <sup>(*2)</sup>	2006 <sup>(*2)</sup>	2005 <sup>(*2)</sup>	2004 <sup>(*2)</sup>	2003 <sup>(*2)</sup>	2002 <sup>(*2)</sup>	2001 <sup>(*2)</sup>
Total Population	3,257,546	3,227,836	3,190,126	3,124,206	3,089,756	3,067,286	3,055,514	3,031,583	3,000,092	2,959,691	2,917,008
White	1,407,959	1,419,887	1,426,206	1,331,056	1,352,824	1,377,579	1,406,957	1,430,578	1,450,300	1,465,135	1,478,528
Hispanic	1,187,780	1,158,270	1,128,167	1,096,976	1,069,822	1,045,627	1,025,142	1,000,599	973,652	943,988	914,077
Asian & Pacific Islander	540,913	529,670	517,155	564,134	540,356	521,159	503,889	484,747	464,603	443,278	422,001
Black	44,852	44,873	44,606	45,366	45,238	45,217	45,345	45,282	45,095	44,760	44,391
Other/Multi-Race	76,042	75,136	73,992	86,675	81,517	77,703	74,181	70,377	66,442	62,530	58,011
Female	1,641,696	1,625,960	1,606,431	1,579,737	1,561,046	1,548,819	1,542,174	1,529,171	1,512,299	1,490,917	1,468,395
Male	1,615,850	1,601,876	1,583,695	1,544,470	1,528,709	1,518,467	1,513,340	1,502,412	1,487,793	1,468,774	1,448,613
Under 5 years	227,966	226,510	224,350	219,213	219,792	220,781	222,641	220,370	217,124	214,036	212,507
5-9 years	218,076	219,097	218,110	212,836	209,084	207,514	206,356	210,123	215,247	220,604	224,904
10-14 years	212,808	213,337	216,341	208,950	213,507	218,604	223,493	225,556	224,496	220,861	214,412
15-19 years	237,686	238,830	237,934	229,856	225,940	221,111	217,132	212,244	207,822	204,214	202,163
20-24 years	235,174	227,272	219,540	214,666	211,419	212,385	215,568	215,857	213,412	208,251	203,058
25-34 years	444,530	441,587	439,562	460,591	457,787	458,770	464,961	470,739	473,770	474,164	473,594
35-44 years	479,110	484,402	488,687	487,412	489,275	491,483	493,016	492,293	490,389	487,944	484,629
45-54 years	477,831	473,882	465,774	444,155	435,139	425,578	415,633	404,897	394,987	385,273	376,922
55-59 years	193,237	186,913	181,150	169,337	166,905	166,710	163,164	156,820	151,057	144,950	135,910
60-64 years	163,920	159,382	151,927	138,282	132,662	124,676	120,539	116,776	111,972	106,141	101,711
65-74 years	206,384	198,123	190,466	172,872	165,845	161,313	159,395	157,421	155,249	152,909	151,065
75-84 years	110,535	109,486	108,730	112,252	111,692	110,970	109,469	107,242	105,414	103,133	100,612
85+	50,289	49,015	47,555	53,784	50,709	47,391	44,147	41,245	39,153	37,211	35,521

Sources: (\*1) State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, July 2007.

(\*2) State of California, Department of Finance, E-3 Race / Ethnic Population Estimates with Age and Sex Detail, 2000–2008. Sacramento, CA, June 2010.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 1998-2008

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>GOOD HEALTH</b>											
Total Births*	42,456	44,026	42,145	41,909	45,049	45,345	44,760	45,462	46,980	46,478	46,186
Total percentage of women who received early prenatal care*	87.8%	88.0%	91.0%	91.5%	91.7%	91.6%	90.8%	89.3%	88.1%	86.5%	85.3%
Women with prenatal care in the first trimester*	37,267	38,727	38,364	38,365	41,306	41,516	40,654	40,612	41,415	40,220	39,376
Newborns with low birth weight (less than 2,500 grams)*	2,705	2,879	2,816	2,826	2,782	2,718	2,710	2,666	2,560	2,564	2,539
Percent of Newborns with low birth weight*	6.4%	6.5%	6.4%	6.4%	6.2%	6.0%	6.1%	5.9%	5.4%	5.5%	5.5%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth*	81	107	158	164	165	203	120	121	93	98	101
Percent of children with Health Insurance											
Children adequately immunized at age 2*	81.1%	76.9%	78.9%	78.9%	77.6%	71.4%	73.8%	71.4%	69.7%	70.0%	66.0%
Infant Deaths*	202	187	224	211	179	200	216	206	231	204	207
Infant Mortality Rate (per 1,000 live births)*	4.8	4.2	5.1	4.8	4	4.4	4.8	4.5	4.9	4.4	4.5
Birth rate per 1,000 females ages 15-19 in Orange County*	25.9	27.7	29.9	29.8	30.1	30.7	32.3	34.9	38.2	39.8	45.8
Breastfeeding Percentages (any)*	84.9%	86.2%	85.0%	84.6%	83.2%	84.1%	84.8%	84.5%	83.9%	83.3%	80.1%
Breastfeeding Percentages (exclusive)*	38.0%	29.8%	30.6%	28.6%	26.1%	26.9%	29.0%	30.5%	31.3%	31.9%	32.3%
Number of children under 18 served by children and youth services*	12,864	12,552	12,334	11,962	12,203	13,724	14,007	13,590	12,893	11,089	10,145
<b>ECONOMIC WELL-BEING</b>											
Children receiving financial assistance through CalWORKS*	31,932	32,040	33,618	36,245	37,384	38,997	38,999	39,826	44,195	47,987	57,250
Percent of children receiving CalWORKS of total population under 18*	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	8.0%
Number of students receiving free and reduced lunch*	197,671	184,956	193,802	200,340	196,430	198,167	190,979	183,524	182,003	176,980	169,528
Percentage of students receiving free and reduced lunch*	40.0%	39.0%	39.0%	39.0%	38.0%	38.0%	38.0%	37.0%	38.0%	38.0%	37.0%
Number of participants served by the WIC program*	117,188	107,595	95,635	98,635	99,115	97,882	103,264	99,632	98,482	95,195	98,806
Total number of child support cases*	94,860	94,769	97,425	98,503	99,134	102,040	99,903	102,043	106,961	113,558	122,183
Total child support collections \$ (in millions)*	180	178.3	177.6	178	172.3	164.6	163.8	159.3	143.5	119.5	98.6
<b>EDUCATIONAL ACHIEVEMENT</b>											
Total public school enrollment*	504,136	503,225	503,955	510,114	513,744	515,464	512,105	503,351	494,178	483,360	471,404
Number of English learner students*	140,887	142,833	141,762	144,118	149,535	153,055	159,145	156,725	150,653	146,450	142,551
Average \$ expenditure per pupil for grades K-12*	8,724	8,844	8,008	7,360	6,944	6,750	6,715	6,557	6,156	5,536	5,176
Average class size for all grade levels*	27.4	26.1	28.8	28.9	29.3	29.2	27.4	28.1	27.9	28.2	28.7
Total number of students K-12 receiving special education*	50,588	50,206	49,325	51,444	50,306	50,817	49,577	48,398	46,843	47,370	45,574
<b>SAFE HOMES AND COMMUNITIES</b>											
Total number of child abuse registry reports*	38,900	41,119	36,593	33,381	34,909	37,015	27,704	25,607	26,005	28,180	25,312
Average monthly number of children in out-of-home care*	2,466	2,668	2,562	2,394	2,566	2,772	2,939	3,253	3,475	3,768	3,883
Average monthly number of dependents of the court*	3,433	3,675	3,447	3,187	3,399	3,674	4,007	4,256	4,618	5,008	5,091
Emancipation Services Program: monthly average youth served*	1,717	1,775	1,778	1,807	1,866	1,872	1,803	1,794	1,586		
Total number of children placed in adoptive homes*	345	406	343	295	373	424	513	475	419	428	374
Total juvenile arrests for youth 10 to 17 years of age*	14,927	15,015	14,036	13,014	13,033	13,580	13,646	14,986	15,528	17,755	18,702
Total number of juveniles referred to probation, 10 to 18 years*	12,456	11,900	10,852	10,772	10,092	10,491	10,770	10,688	11,044	12,033	12,506

\* The 16th Annual Report on the Condition of Children in Orange County 2010 presents date through calendar year 2008. Data through FY 2009-10 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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CAPITAL ASSETS STATISTICS**

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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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
Principal Employers**

**2011**

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
University of California, Irvine	20,650	1	1.30%
Walt Disney Co.	20,000	2	1.26%
County of Orange	17,655	3	1.11%
St. Joseph Health System	11,965	4	0.75%
Boeing Co.	8,060	5	0.51%
Bank of America Corp.	6,500	6	0.41%
Yum Brands Inc.	6,500	6	0.41%
Supervalu Inc.	5,900	8	0.37%
Kaiser Permanente	5,397	9	0.34%
Target Corp.	5,325	10	0.33%

**2002**

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Co.	21,275	1	1.36%
County of Orange	17,751	2	1.14%
University of California, Irvine	14,981	3	0.96%
Boeing Co.	11,179	4	0.72%
Albertsons Inc.	9,500	5	0.61%
St. Joseph Health System	9,435	6	0.60%
Tenet Healthcare Corp.	8,389	6	0.54%
SBC Communications, Inc.	7,100	8	0.46%
Target Corp.	4,878	9	0.31%
Bank of America Corp.	4,813	10	0.31%

Source: Orange County Business Journal, Book of Lists, 2011 and Orange County CEO Budget Office

**CHILDREN AND FAMILIES COMMISSION OF  
ORANGE COUNTY**

**SINGLE AUDIT REPORT  
JUNE 30, 2011**

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**JUNE 30, 2011**

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**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Corporation for National and Community Services:</b>			
Volunteers in Service to America	94.013	06VSPCA032	\$ 348,635
ARRA - Volunteers in Service to America	94.013	09VSPCA011	5,134
<b>Subtotal - Corporation for National Community Services</b>			<u>353,769</u>
<b>U.S. Department of Health and Human Services:</b>			
NIH Recovery Act Research Support - ARRA Medical Assistance Program	93.701	2010-2490	12,892
Passed through from:			
County of Orange Medi-Cal Administrative Activities [1]	93.778	03-75080	<u>248,513</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 615,174</u></u>

[1] Denotes a major Federal Financial Assistance Program

See accompanying notes to Schedule of Expenditures of Federal Awards.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Children and Families Commission of Orange County (Commission). The Commission's reporting entity is defined in Note #1 of the Commission's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

**B. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note #1 of the Commission's Financial Statements.

**C. Medi-Cal Administrative Activities**

The Single Audit Act defines major federal award programs based upon total federal expenditures of the grantee during the period reported and risk of the programs audited. The Schedule of Expenditures of Federal Awards includes expenditures incurred for Medi-Cal Administrative Activities (CFDA No. 93.778) in the fiscal year 2009-2010, which were approved for reimbursement by the grantor agency in the fiscal year 2010-2011.

**D. Relationship to Basic Financial Statements**

Federal awards revenues are generally reported within the Commission's financial statements under the financial statement caption "Federal Operating Grants" for the Governmental Fund.

**E. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures to Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

**ANNUAL PROGRAM REPORT FOR FISCAL YEAR 2010-11**  
**SUBMITTED TO**  
**FIRST 5 CALIFORNIA**



Children & Families  
Commission of Orange County

This complete report is on file with the Clerk of the Commission



**AR1/AR2 Summary Report  
for Fiscal Year 2010-2011 (July 1, 2010 - June 30, 2011)**

County: Orange

Tuesday, September 27, 2011

Result Area	Service	Status	Total Dollars Spent	Total Number of Children Served	Total Number of Parents/Other Family Members/Providers Served
Improved Family Functioning	Behavioral, Substance Abuse, and Mental Health Services	In Progress	\$86,807	1,632	2,553
Improved Family Functioning	Community Resource and Referral	In Progress	\$216,688	0	7,868
Improved Family Functioning	Family Literacy Programs	In Progress	\$2,136,560	31,038	31,376
Improved Family Functioning	Provision of Basic Family Needs (Food, Clothes, Housing)	In Progress	\$2,758,616	2,634	2,342
Improved Family Functioning	Targeted Intensive Parent Support Services	In Progress	\$248,805	174	185
Improved Child Development	Preschool for 3 and 4 Year Olds	In Progress	\$387,813	163	686
Improved Child Development	State School Readiness Programs & Local Match	In Progress	\$0	0	0
Improved Child Development	Comprehensive Screening and Assessments	In Progress	\$3,823,709	27,226	45,739
Improved Child Development	Targeted Intensive Intervention for Identified Special Needs	In Progress	\$330,338	1,462	1,500
Improved Child Development	Early Education Programs for Children (Other than School Readiness and Preschool for 3/4 year olds)	In Progress	\$1,744,118	3,434	3,100
Improved Child Development	Early Education Provider Program	In Progress	\$2,424,464	19,370	18,787
Improved Child Health	Nutrition and Fitness	In Progress	\$6,925,999	2,077	1,487
Improved Child Health	Health Access	In Progress	\$4,370,888	26,357	35,034
Improved Child Health	Home Visitation for Newborns	In Progress	\$4,671,267	4,483	10,304
Improved Child Health	Oral Health	In Progress	\$1,383,375	10,535	4,116
Improved Child Health	Prenatal Care	In Progress	\$652,671	403	1,182
Improved Child Health	Primary Care Services (Immunizations and/or Well Child Checkups)	In Progress	\$2,500,131	18,857	13,551
Improved Child Health	Targeted Intensive Intervention for Identified Special Needs	In Progress	\$158,263	59	507
Improved Child Health	Safety Education and Intentional and Unintentional Injury Prevention	In Progress	\$584,413	95	1,146
Improved Child Health	Specialty Medical Services	In Progress	\$6,921,211	10,101	16,309
Improved Child Health	Comprehensive Screening and Assessments	In Progress	\$113,432	0	50
Improved Child Development	Local School Readiness (Mirror Programs)	In Progress	\$2,547,263	9,611	7,739
Improved Systems of Care	Service Outreach, Planning, Support and Management	In Progress	\$605,308		
Improved Systems of Care	Community Strengthening Efforts	In Progress	\$1,258,717		
<b>TOTAL</b>			<b>\$46,850,856</b>	<b>169,711</b>	<b>205,561</b>

**Supplement to Orange County's Annual Report to the State  
July 2010 – June 2011**

During 2010-2011 fiscal year (FY10/11), the Children and Families Commission of Orange County (Commission) funded 91 organizations to implement 170 individual programs serving children, families, and providers. This report provides details on the numbers of children and family members served by Commission-funded programs and the services that were provided to them. The information is provided first for the Commission as a whole, and then by Commission funding category. For each group, the following information is provided:

<b>Data</b>	<b>Data Source</b>
Number of children ages 0-5, family members, and service providers receiving services from Commission-funded programs	<ul style="list-style-type: none"> <li>• Grants and Evaluation Management System (GEMS)</li> <li>• Group/Aggregate Services Module</li> </ul>
Number of services provided to children, family members, and service providers	
Number of children with client level data	GEMS and Bridges Connect System 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	GEMS Group/Aggregate Services Module
Key Service Outcomes	Service Outcome Questionnaires (SOQs) in GEMS and Bridges Connect

In FY10/11, the Commission implemented a standardized set of funded services to address each of the Commission's targeted outcomes and objectives. Each table in this report detailing the services provided has three columns – the first two columns list the Strategic Plan outcomes and services used by Commission-funded programs, and the third column lists the number of services accomplished. Under the revised reporting guidelines, providers were asked to report the number of new clients served, the number of repeat clients served, and the total number of services. Although progress has been made to standardize data collection across programs, there remain some inconsistencies in the methods providers use to count the number of clients and number of services. As such, in most cases, only the number of New clients (i.e., Children 0-5, Parents/Guardians, and Providers) is reported. When the number of services is listed, the service description in the second column of the service table specifies the service being reported.

Following is a list of the Commission goal areas and funding subcategories presented in this report with the page numbers where their data can be found.

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### Acronyms

AAP	American Academy of Pediatrics
ASQ	Ages and Stages Questionnaire (child development screening tool)
ATOD	Alcohol, Tobacco, and Other Drugs
CB	Capacity Building
CHOC	Children's Hospital of Orange County
ECERS	Early Childhood Environment Rating Scale
EL	Early Learning
ELLCO	Early Language and Literacy Classroom Observation Tool
ELP	Early Learning Program
HC	Healthy Children
PEDS	Parent Evaluation of Developmental Status (child development screening tool)
SF	Strong Families
SRN	School Readiness Nurse
UCI	University of California, Irvine

## **The Children and Families Commission of Orange County (Commission)**

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 for each county to establish a Commission for its county. 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.

In February 2000, the Children and Families Commission of Orange County adopted its first Strategic Plan to become eligible for Proposition 10 tobacco tax revenue allocations. The Strategic Plan outlines 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, which highlighted linkages between the Strategic Plan and other planning efforts and expanded program-specific measures to better reflect the diverse services the Commission funds. The Strategic Plan is updated 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 succeed when they enter school.

The Commission has identified four goals in its Strategic Plan:

1. *Healthy Children*: Ensure the overall physical, social, emotional and intellectual health of children during the prenatal period through age five.
2. *Strong Families*: Support and strengthen families in ways that promote good parenting for the optimal development of young children.
3. *Ready to Learn*: Provide early care and education opportunities for young children to maximize their potential to succeed in school.
4. *Capacity Building*: Ensure an effective delivery system for child and family services.

## 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*	165,899	188,839	12,047
Number of services provided	1,405,143	1,288,391	72,997

\* 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 Served<sup>1</sup> in FY 10/11  
Based on Client Level Data**

Variable Considered	Category Label	Count <sup>2</sup>	Percent
Total number of children with client-level data		19,493	100
Age at most recent interview	Two or Younger	10,058	57
	Three through Five	7,534	43
Ethnicity	Amer. Indian/Alaska Native	42	<1
	Asian or Pacific Islander	941	5
	Black/African American	225	1
	Hispanic/Latino	14,526	78
	White	1,421	8
	Multiracial	908	5
Primary Language	Unknown	460	2
	English	3,815	26
	Spanish	7,415	51
	Vietnamese	394	3
Percent Below 200% Federal Poverty Level	Other	2,884	20
		6,596	78

<sup>1</sup>A 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. The unduplicated count of children intensively served and authorized for entry into the GEMS data bases is 19,493.

<sup>2</sup>The counts for specific demographic variables may be less than the total number of children entered in GEMS 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	Number Completed
HC.1 Children are born healthy	Prenatal care visits	860
	Kits for New Parents distributed	24,103
	Case management meetings/home visits to support prenatal care	2,899
	Classes to support healthy pregnancy	67
	Pregnant women receive support for healthy pregnancy and early childhood health.	8,630
	Home visits/case management conducted with expectant mothers with a history of Alcohol, Tobacco, and Other Drugs (ATOD ) abuse	402
	Classes for ATOD at-risk	72
	Home visits/case management meetings conducted with parents with a history of ATOD abuse	628
HC.2 Children receive early screening and, when necessary, assessment for developmental, behavioral, emotional, and social conditions, and referral and linkage to services as appropriate	Providers trained on how to screen, assess and/or identify child developmental milestones	211
	Providers educated on child development, recognizing key milestones, and the importance of screening and/or assessment	1,257
	Providers receive informational materials regarding developmental milestones and development	980
	Children receive developmental screening using AAP recommended tools (e.g. PEDS, ASQ)	20,910
	Parents receive education, resources, referrals, and support regarding their child's development	14,038
	Parents receive informational materials regarding developmental milestones and development	19,854
	Children receive vision screening	13,506
	Children receive hearing screening	12,501
	Children receive body composition and stature screening (height, weight, BMI)	12,573
	Children receive health status screening (e.g., asthma, allergies, etc.)	15,989
	Children receive behavior health screening using Commission-approved tool	1,987
	Children receive comprehensive screening (Includes: vision, hearing, height, weight, health, and developmental milestones using PEDS or ASQ)	12,521
	Children receive assessment (e.g., vision, hearing, speech/language, psychosocial issues, motor skills, health, special needs, and/or parent-child functioning)	1,594
HC.3 Children have and use a regular place for medical and dental care	Children are enrolled in health insurance	5,065
	Children are linked to a health care home	6,325
	Children receive primary care services (visit), including well child and sick visits.	7,760
	Children are linked to a dental home	2,063

**Table 3. Services Provided by All Commission-Funded Programs**

<b>Strategic Plan Outcome</b>	<b>Service</b>	<b>Number Completed</b>
	Children receive a dental screening	17,901
	Children receive preventative dental treatment (e.g., cleaning, sealant)	6,282
	Children receive restorative dental treatment (e.g., carries)	346
	Children receive emergency dental treatment (e.g., abscess)	75
	Children with special needs receive dental care	161
	Parents receive training on oral health	8,795
	Children receive oral health education	8,202
	Providers receive oral health education	165
HC.4 Children grow up healthy	Mothers receive breastfeeding education, intervention and support	17,781
	Parents receive nutrition and physical activity education	26,724
	Children enrolled in multi-disciplinary weight loss and/or physical activities program	253
	Children receive nutrition and physical activity education	1,824
	Children screened for up to date immunizations	22,798
	Children receive specialty care clinic visits	31,778
	Parents receive home visits focused on ongoing medical surveillance and linkage to appropriate referrals	132
	Parents receive specialty care education, resources, referrals, and support	8,721
	Providers receive specialty care education	664
	Parents are recruited as potential Foster/Adoptive child placement homes	5
	Medically fragile children are placed into Foster/Adoptive Families	1
SF.1 Families are stably housed	Children receive emergency or transitional shelter (72,144 bed nights)	1,593
	Family members emergency or transitional shelter (101,777 bed nights)	3,354
	Children receive emergency services to meet basic needs	352
	Family members (parents and older siblings) receive emergency services to meet basic needs	565
	Parents receive job skills training	221
	Life skills training sessions for parents	2,544
	Parents receive weekly case management services	935
SF.2 Children are safe and well cared for	Parents receive home safety checks (3,482 home safety checks)	2,860
	Parents receive training about preventable injuries and deaths	436
	Parents receive information and materials regarding preventable injuries	1,923
	Providers receive Information materials regarding preventable injuries	221
	Home visitors and/or program staff will assess and provide service plans to improve parent knowledge of healthy child development	726
	Home visits to improve parent knowledge of healthy child development	26,323

**Table 3. Services Provided by All Commission-Funded Programs**

Strategic Plan Outcome	Service	Number Completed
	Office visits to improve parent knowledge of healthy child development	4,713
	Children receive health education classes	13,896
	Children receive group interventions to improve healthy child development	59
SF.3 Caregivers have ready access to family support services and resources	Mothers are screened with the Bridges Screening Tool	15,334
	Parents receive referrals to services	27,159
	Providers receive referrals to services	1,327
	Parents receive follow up on referrals and services are accessed	22,010
	Parents receive Kit for New Parents	22,046
SF.4 Families have resources to support the management and treatment their child's behavioral health needs	Children receive behavioral health treatment services	1,133
	Providers are educated to increase awareness and identification of behavioral health issues	1,076
	Providers receive training on behavioral health treatment services for children 0-5	452
	Parents receive education, resources, referrals, and support regarding their child's behavioral health issues	1,123
	Parents receive behavioral health screening	1,442
	Parents receive regular and routine behavioral health treatment by a licensed professional	79
	Children read to at physicians' offices or clinics	53,382
	Parents participate in a program designed to increase the frequency of reading at home	820
EL.1 Children have the developmental skills* to be proficient learners in school  *early literacy/ numeracy, self-regulation, social expression, and self-care and motor skills	Children participate in a program designed to increase the frequency of reading at home	10,816
	Provider will recruit and support pediatrician offices to participate in Reach Out Read National Program	20
	Books distributed to children	88,877
	New and used books collected for distribution	6,773
	Children participating in early literacy programs	741
	Children participating in early math programs	7,010
	Children with special needs participate in early childhood care and education programs	1,167
	Parents receive speech and language services	559
	Children receive speech and language services	599
	Providers receive training on speech and language services	41
	Providers will conduct classroom assessments using an established tool such as ECERS or ELLCO	195
	Providers are given resources and early intervention strategies for appropriate early care	3,999

**Table 3. Services Provided by All Commission-Funded Programs**

Strategic Plan Outcome	Service	Number Completed
	Children receive center-based early care and education services other than preschool	2,329
	Children receive in-home, evidence-based early care and education services	61
	Children receive comprehensive Commission-funded preschool services	1,068
	Children receive enhanced school readiness services through other preschool programs	4,995
EL.2 Schools are ready for children when they enter kindergarten	Children visit Kindergarten classrooms prior to start of school year	7,228
	Children's health and development records are transferred to their elementary school prior	5,514
	Children's records are entered into the computerized district system prior to entering kind	9,327
CB.1 Increase sustainability	Number of volunteers recruited	1,614
CB.2 Increase access and efficiency, quality and effectiveness	Children with special needs served	5,872
	Providers receive trainings to build the capacity of the agency to increase quality services	965
	Parents receive transportation to health or social services	1,632
	Children 0-5 receive transportation to health or social services	588
	Children 0-5 received specialized child care	936

**Table 4. Service Outcomes for All Commission-funded Programs**

Key Strategic Plan Objectives	SOQ Results
<b>Healthy Children</b>	
<ul style="list-style-type: none"> <li>Increase to at least 90% the proportion of all pregnant women who receive early prenatal care, and decrease racial/ ethnic disparities</li> </ul>	<ul style="list-style-type: none"> <li>87% of mothers received prenatal care in the first trimester</li> </ul>
<ul style="list-style-type: none"> <li>Increase to at least 95% the proportion of children who have a health care home</li> </ul>	<ul style="list-style-type: none"> <li>99% of children had a health home at the end of services (compared to 95% at the beginning of services)</li> </ul>
<ul style="list-style-type: none"> <li>Increase to 100% the number of children with health coverage</li> </ul>	<ul style="list-style-type: none"> <li>99% of children served had health insurance at the end of services (compared to 95% at the beginning of services)</li> </ul>
<ul style="list-style-type: none"> <li>Increase the proportion of children ages 0-5 who receive recommended primary care services at the appropriate intervals</li> </ul>	<ul style="list-style-type: none"> <li>56% of children received all recommended well child visits or health screenings (compared to 43% in FY09-10)</li> </ul>
<ul style="list-style-type: none"> <li>Increase age appropriate immunization levels to at least 95%</li> </ul>	<ul style="list-style-type: none"> <li>94% of children received all age appropriate immunizations at the end of services (compared to 84% at the beginning of services)</li> </ul>
<ul style="list-style-type: none"> <li>Reduce dental cavities so that the proportion of young children with one or more cavities is no more than 9%.</li> </ul>	<ul style="list-style-type: none"> <li>89% of children had no caries at the end of services (compared to 59% at the beginning of services)</li> </ul>
<b>Strong Families</b>	
<ul style="list-style-type: none"> <li>Increase parent knowledge of healthy child development</li> </ul>	<ul style="list-style-type: none"> <li>Parents with very good or excellent parenting skills increased from 61% to 86%</li> </ul>
<b>Ready to Learn</b>	
<ul style="list-style-type: none"> <li>Increase the number of children receiving quality early care and education services so they are better prepared to succeed in school</li> </ul>	<ul style="list-style-type: none"> <li>90% of children were performing at or above age-appropriate level at end of services (compared to 53% at beginning of services)</li> </ul>



# Annual Summary

## Performance Report

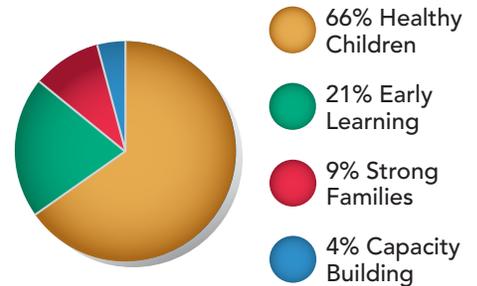
Fiscal Year 2010-2011

### Orange County Fast Facts

- 40,431 total births (2009 Data, CA Dept of Public Health, Center for Health Statistics)
- 231,218 children ages 0 – 5 (2010 US Census)
- 165,899 children ages 0 – 5 directly touched by services
- 170 individual Commission-funded programs
- 91 organizations providing services

*Each program reports an unduplicated number of children served. Because one child may receive services from multiple programs, the total number of children served may include some duplication.*

### Budget by Goal Area (\$46.9 million in program spending)



### Annual Summary Fast Facts

- 32,035 primary care visits were provided to children
- 12,521 children received comprehensive health screens
- 17,901 children were screened for dental health and 11,798 dental visits were provided for treatment
- 20,910 children were screened for developmental milestones
- 44,181 home visits or case management meetings were conducted with parents and caregivers
- 6,325 children were linked to a place for regular medical care (a “medical home”)
- 5,065 children were enrolled in health insurance
- 173,921 shelter bed nights were provided to pregnant women, mothers and young children
- 87,837 children received books from health care providers and at community events
- 8,453 children were enrolled in school readiness programs, including 1,167 children with special needs
- 3,482 home safety checks were completed

### Major Initiatives

Initiatives	Expenditures	Number Served	
		Children 0-5	Family Members
Bridges Maternal Child Health Network	\$9,233,028	19,278	33,360
Pediatric Health Services	\$7,657,341	17,267	21,360
Fitness and Nutrition*	\$6,458,884	2,077	1,073
School Readiness	\$4,856,445	28,981	23,998
School Readiness Nursing	\$3,098,097	23,551	18,258
Homeless Prevention*	\$3,665,027	2,668	2,531
Early Literacy	\$2,235,340	31,038	31,370
Community Clinics	\$1,861,474	13,502	6,795
Children’s Dental	\$1,383,375	10,535	3,990

\*Includes One-time Catalytic Capital Investment

### **Bridges Maternal Child Health Network**

Collectively, the programs in the Bridges Maternal Child Health Network serve over 19,000 children and their families each year, helping to ensure that children are born healthy, have and use a health home for comprehensive health services, have access to early screenings and assessments, and are raised in healthy and safe environments. The Bridges Network includes hospitals, home-visitation providers, and public health nursing – all working toward common outcomes to improve maternal and child health through both in-hospital screenings to identify children needing additional support, and home visitation to provide education and intervention services.

### **Pediatric Health Services**

Pediatric Health Services collaborative programs are designed to increase access to pediatric primary and specialty care. They have included Asthma & Metabolic Programs, Pediatric Primary Care, High Risk Obstetric services, and Early Developmental Programs. The Early Developmental Programs, including Help Me Grow, provide an accessible point of entry for comprehensive evaluation and diagnosis of neurodevelopmental concerns. Help Me Grow is Orange County's resource and referral agency for early developmental needs. After over five years of operation, Help Me Grow has become a well-known resource for community providers: fully 63% of community providers surveyed about pediatric health referrals stated that they used Help Me Grow Orange County.

### **Fitness and Nutrition**

Commission funding for fitness and nutrition included a one-time investment for capital projects at the Santa Ana YMCA. This catalytic investment laid the groundwork for a safe and secure place for children to develop healthy lifestyles. With the Commission's investment and other funds, the YMCA was able to build a robust aquatic center, sports fields, and a facility for Dr. Riba's Health Club. Dr. Riba's Health Club is the only medical model of obesity prevention and treatment for young children in the county, targeting healthy lifestyles through health education and healthy practices.

### **School Readiness**

Early Learning Specialists are located in every school district in Orange County working to strengthen children's early math, literacy, and speech and language skills. Over 10,320 children participated in programs designed to increase the frequency of reading at home and 7,010 children participated in early math programs. Additionally, 20 school districts received training to increase speech and language services to children and families. The Learning Link program model expanded throughout the county within eight school districts and at 15 locations.

### **School Readiness Nursing**

School Readiness Nurses continue to fill gaps in health services within the community by providing health assessments for children ages 0 to 5. These services prompt early intervention for children, resulting in significant impact to their health and developmental outcomes. School Readiness Nurses provided 164,570 health services to 23,551 children in Orange County, including screenings for vision, hearing and development, as well as screenings for general health, oral health, weight, and immunizations.

### **Homeless Prevention**

The Commission partners with HomeAid Orange County to develop transitional shelter facilities for homeless children ages 0 to 5 and their families. This year, the Commission supported 173,921 "bed nights" for 4,947 individuals. A "bed night" is one warm and safe bed for one person for one night. These families received case management, life skills classes, and basic medical and dental medical services for their children. The Commission also approved one-time catalytic funding to support the expansion of two shelters: an additional 10 bedrooms and living areas at Laura's House; and two four-unit buildings to accommodate eight families at Fullerton Interfaith Emergency Service transitional shelter.

### **Early Literacy Program**

The Early Literacy Program (ELP), which encompasses county-wide literacy programs, supported 72 community events with readers, books, and literacy resources. Over 53,380 children were read to at health clinic sites and community events, and 87,837 young children received books. Through a grant from Orange County United Way, the ELP expanded the Raising A Reader program to serve an additional 240 children in the Garden Grove Unified School District.

### **Community Clinics**

The Commission funds community clinics throughout Orange County to ensure that families have access to health coverage and quality pediatric care. The Commission continued to fund a pediatrician who visited each community clinic on a regular basis, providing enhanced pediatric support. Community Clinics provided 18,895 primary care visits as well as 871 dental treatment visits. A total of 2,201 children were enrolled in health insurance.

### **Children's Dental**

Healthy Smiles for Kids of Orange County, along with five Community Clinics that are part of the Pediatric Dental Care Collaborative, conduct screenings, provide sealants and fluoride treatments, offer parent and caregiver education, and improve access to dental care. A total of 10,535 children were provided services including dental screenings, preventative treatments, restorative treatments, and emergency dental treatments.

## Science, Technology, Engineering & Math (STEM)

*Experts have documented the positive impact of math skills on the overall learning success and achievement of children. The Commission funded the MIND Research Institute to create developmentally appropriate computer-based games to teach mathematics to pre-kindergarten children to improve math proficiency and problem solving skills. This year, 11 schools and 703 students participated in the MIND Research Institute program. Additionally, the Commission partnered with the Samuelli Foundation to increase public awareness of the importance of STEM education.*

**Children and Families Commission of Orange County  
FY 11/12 Amended Budget**

Attachment 5

	FY 11/12 Adopted Budget	Adjustments	Carryover	FY 11/12 Amended Budget
<b>Prop 10 Tax Allocations</b>	\$ 26,809,800	559,600		27,369,400
<b>Other Revenues</b>	\$ 750,000	1,054,238 <sup>(1)</sup>		1,804,238
	<b>\$ 27,559,800</b>	<b>\$ 1,613,838</b>		<b>\$ 29,173,638</b>
<b>Healthy Children</b>				
Bridges: Maternal Child Health Network	\$ 6,500,000	-	177,459	6,677,459
Health Access and Education	\$ 550,000	35,000	54,129	639,129
Community Clinics	\$ 2,000,000	650,000 <sup>(2)</sup>	0	2,650,000
Fitness/Nutrition	\$ 10,000	-	83,759	93,759
Children's Dental	\$ 1,500,000	-	0	1,500,000
Pediatric Health Services	\$ 4,235,000	650,000 <sup>(2)</sup>	0	4,885,000
School Readiness Nursing	\$ 3,000,000	-	0	3,000,000
	<b>\$ 17,795,000</b>	<b>\$ 1,335,000</b>	<b>\$ 315,347</b>	<b>\$ 19,445,347</b>
<b>Strong Families</b>				
Family Support Services	\$ 650,000	5,000	159,203	814,203
Homeless Prevention	\$ 3,500,000	-	236,500	3,736,500
	<b>\$ 4,150,000</b>	<b>\$ 5,000</b>	<b>\$ 395,703</b>	<b>\$ 4,550,703</b>
<b>Early Learning</b>				
Early Learning Specialists (Formerly Local	\$ 2,510,625	-	-	2,510,625
School District Programs/Countywide Allo	\$ 1,950,000	-	-	1,950,000
Early Literacy Programs	\$ 1,000,000	-	129,222	1,129,222
CARES Plus Program	\$ -	404,300	-	404,300
Other Early Learning Programs	\$ 615,400	450,000 <sup>(2)</sup>	39,115	1,104,515
	<b>\$ 6,076,025</b>	<b>\$ 854,300</b>	<b>\$ 168,337</b>	<b>\$ 7,098,662</b>
<b>Capacity Building</b>				
AmeriCorps/ VISTA	\$ 1,200,000	414,238	-	1,614,238
Evaluation and Reporting	\$ 600,000	36,917	120,936	757,853
Technical Assistance	\$ -	-	71,539	71,539
Capacity Building Grants & Matching Func	\$ 75,000	240,000 <sup>(3)</sup>	62,660	277,660
Capacity Building Support & Fund Develop	\$ 125,000	-	-	125,000
	<b>\$ 2,000,000</b>	<b>\$ 691,155</b>	<b>\$ 255,135</b>	<b>\$ 2,846,290</b>
<b>Program Consultants</b>				
	<i>Incorporated in program budgets</i>			
<b>Total Program</b>	<b>\$ 30,021,025</b>	<b>\$ 2,885,455</b>	<b>\$ 1,134,522</b>	<b>\$ 33,941,002</b>
<b>One Time Catalytic Set Aside</b>	\$ 1,750,000	(1,750,000) <sup>(2)</sup>		-
<b>Administrative Functions</b>				
Commission Staffing	\$ 2,024,000	-	-	2,024,000
Strategic Communications	\$ 246,000	-	24,618	270,618
Professional and Technical Services	\$ 820,000	105,000 <sup>(4)</sup>	-	925,000
Office, Training & Operating Costs	\$ 410,000	-	-	410,000
	<b>\$ 3,500,000</b>	<b>\$ 105,000</b>	<b>\$ 24,618</b>	<b>\$ 3,629,618</b>
<b>Total Budget</b>	<b>\$ 35,271,025</b>	<b>\$ 1,240,455</b>	<b>\$ 1,159,140</b>	<b>\$ 37,570,620</b>

(1) Revenue adjustment detail  
414,238 Vista  
190,000 Health Research Grant  
450,000 CARES Plus (State Match)

(2) Catalytic Set Aside detail  
200,000 for MIND - early learning  
250,000 OC Funding Collaborative for STEM education  
650,000 Community Clinics  
650,000 PHS

(3) Promise Neighborhoods  
100,000 included for 10/11 and 11/12 matching allocation

(4) AB 99 Litigation Expenses - approved at June Commission meeting

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**RESOLUTION NO. \_\_\_-11-C&FC**

**October 5, 2011**

**A RESOLUTION OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY ADOPTING THE AMENDED FISCAL YEAR 2011-12 OPERATING BUDGET**

**WHEREAS**, at its meeting of May 4, 2011, 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 4, 2011 Commission meeting: The Strategic Plan, and the Annual Operating Budget for the Fiscal Year 2011-12; and at its meeting of June 1, 2011 the Commission conducted a public hearing and reviewed and adopted the Business Plan for Fiscal Year 2011-12 including the Administrative Budget; and

**WHEREAS**, at its meeting of October 5, 2011 the Commission conducted a public hearing; and reviewed and adopted an Amended Annual Operating Budget for the Fiscal Year 2011-12 prepared and recommended by staff and identified in the staff report for the October 5, 2011 Commission meeting as Attachment 5.

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 2011-12.

**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 2011-12.

**Section 5** The Clerk of the Commission shall append to this Resolution a copy of the Amended Annual Operating Budget for Fiscal Year 2011-12, identifying it as Exhibit A which shall correspond to Attachment 5 of the October 5, 2011 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.



**EXHIBIT A TO RESOLUTION OF COMMISSION  
AMENDED ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2011-12  
(attached)**