



# 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, 2013

  
[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, 2013

*Prepared by:*

**Michael Garcell, CPA**

**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, 2013

**Michael Garcell, CPA**

**Finance Manager**

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
FOR THE YEAR ENDED JUNE 30, 2013**

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October 2, 2013

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, 2013, are free of material misstatement. The independent certified public accounting firm has issued an unmodified ("clean") opinion on the Commission's financial statements as of and for the year ended June 30, 2013. The independent auditors' 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. Since inception, the Commission has made a lasting positive impact in Orange County through its expenditures of approximately \$616 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 2013 to address current economic issues, emerging program needs, and future demand on Commission resources. The revised Long-Term Financial Plan includes one-time catalytic funding investments focused on key Commission priorities. The goal of catalytic funding is to reduce or eliminate future ongoing support for several major programs. First round catalytic investments totaling \$45 million were made to support Autism/Early Developmental programs, Children's Dental, Emergency Shelters, Early Literacy & Math, Healthy Child Development, and VISTA program transition. Round two catalytic funding priorities consist of investments in Partnerships for Children's Health, Prevention Program Planning, Nutrition and Fitness, Vision Screening and Capacity Building. Staff will continue to monitor and report on the total \$55 million catalytic allocation as expenses are realized.

The FY 2013-2014 Operating Budget, presented in April 2013, includes the funding actions taken earlier this year to fund catalytic programs and renew funding for core programs that support the four goal areas. The step-down approach continues to be embedded in the approved Long-Term Financial Plan, and assumes a reduction of base budget program spending from \$30 million to \$27.6 million in FY 2013/14 and \$25.1 million in FY 2014/15. The budget plan continues the reduction of program spending gradually, depending on actual revenue, to bring the total budget in line with the forecasted revenue and a reduction in fund balance not already allocated to Catalytic funding.

### Strategic Plan

Although changes in the long-term funding plan were made, the Commission will continue to utilize the Strategic Plan adopted in April 2013 for fiscal year 2013-2014 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 2014.

## **Other Financial Information**

### Internal Control

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

### Budgetary Control

The objective of budgetary control is to ensure that spending is limited to the total amount authorized by the Board of Commissioners. The initial budget for fiscal year 2012-2013 was adopted on April 4, 2012 with subsequent adjustments approved in November 7, 2012 and April 3, 2013. The Executive Director has the discretion to adjust the budget as defined within the budget policy of the Board of Commissioners. Monthly financial highlights are provided to the Board of Commissioners.

### Risk Management

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

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the third 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,



Christina Altmayer  
Executive Director

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
BOARD OF COMMISSIONERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**BOARD MEMBERS (9)**

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

Kimberly Cripe (A)  
Vice Chair

Sandra Barry (A)  
Chair Pro-tem

Katherine Ahn, DDS (A)

Hugh Hewitt (A)

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

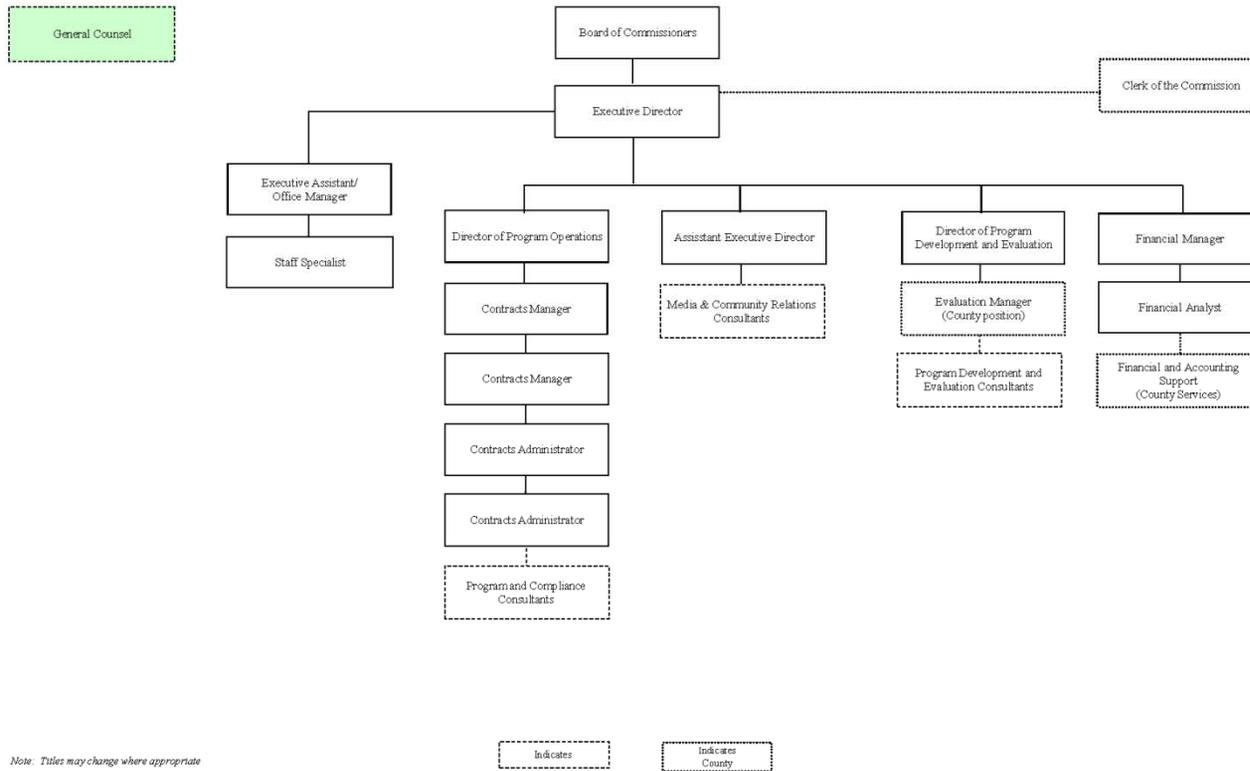
Janet Nguyen (M)  
Board of Supervisors

Sandra Pierce (A)

Mark Refowitz (M)  
Health Care Agency

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
ORGANIZATION CHART  
FISCAL YEAR 2012-2013**





**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 April 1, 2013



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Introductory Section, Schedule of First 5 California Funding (Schedule), and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

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

Laguna Hills, California  
September 27, 2013

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

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, 2013. 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 \$72 million at the end of the current fiscal year, a decrease of \$6.57 million (8.3%) from the prior fiscal year. The decrease is due to Round 1 and 2 Catalytic expenditures above the Commission's annual program budget.
- As of June 30, 2013, the Commission's governmental fund statements reported an ending fund balance totaling \$72 million, a decrease of \$6.75 million (8.6%) from the prior fiscal year.
- The total ending fund balance of \$72 million was classified into three categories. The Commission's breakdown is as follows: \$5.62 million as non-spendable, \$49.99 million as committed, \$21.35 as assigned.

**Overview of the Financial Statements**

This comprehensive annual financial report consists of two parts, this management's discussion and analysis and the basic financial statements, including government-wide financial statements, governmental fund financial statements and notes to the basic financial statements. The Commission's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about the activities during the reporting period.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances and activities. These statements are prepared using the full accrual basis of accounting and a total economic resource measurement focus, in order to provide both long-term and short-term information about the Commission's overall financial status. A detailed definition of these methods is described in Note 1 of the basic financial statements.

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

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

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

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

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

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

**Analysis of the Commission's Government-wide Financial Statements**

**Net Position.** Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, net position was \$72.41 million at the end of the current fiscal year, an 8% decrease from the prior fiscal year. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2013 and June 30, 2012.

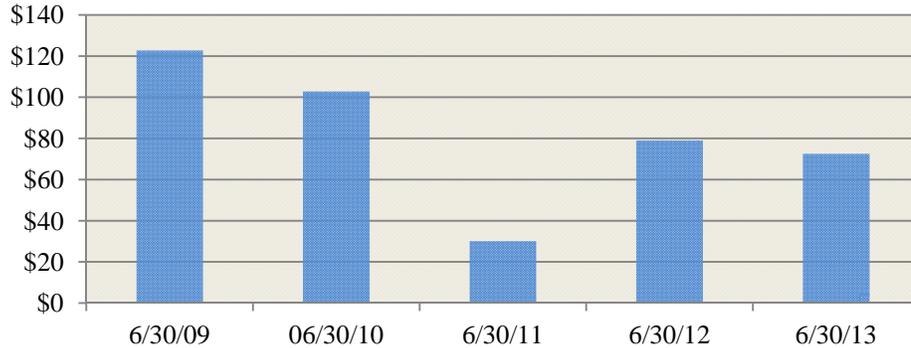
**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

The Commission's net position as of June 30, 2013 is considered unrestricted because their use is not for a purpose narrower than the purpose of the Commission and were comprised of the following:

	<u>FY 2012-13</u>	<u>FY 2011-12</u>	<b>Percent Increase (Decrease)</b>
<b>Assets:</b>			
Cash and investments	\$69,280,830	\$83,017,827	-17%
Imprest cash	15,000	15,000	-
Interest receivable	19,931	71,795	-72%
Deposit with others	5,380,606	93,625	+5,647%
Due from County of Orange	881	3,738	-76%
Due from other governments	5,836,164	6,151,327	-5%
Prepaid expense	243,435	65,657	+271%
Total assets	<u>\$80,776,847</u>	<u>\$89,419,968</u>	-10%
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$2,847,704	\$3,862,837	-26%
Due to County of Orange	9,593	77,574	-88%
Due to other governments	3,673,252	3,898,071	-6%
Retentions payable	1,634,093	2,384,936	-31%
Accrued wages and benefits	70,254	76,718	-8%
Compensated absences:			
Payable within one year	77,336	87,838	-12%
Payable after one year	53,482	46,509	15%
Total liabilities	<u>8,365,714</u>	<u>10,434,483</u>	-20%
<b>Net Position:</b>			
Unrestricted	72,411,134	78,985,485	-8%
Total net position	<u>\$72,411,134</u>	<u>\$78,985,485</u>	

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

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

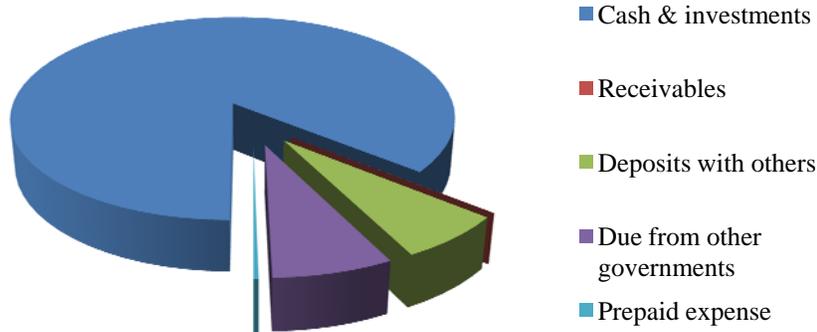


Assets, Current and Other

- Cash and investments totaled \$69.3 million. All of the \$69.3 million was invested in the Orange County Investment Pool (OCIP), except for a small petty cash fund held at the Commission. The investments in OCIP are managed by the County Treasurer and reviewed for compliance with the Commission's Annual Investment Policy.
- Due from other governments totaled \$5.8 million. Of this amount, \$4.9 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2013 allocations.
- Deposits with others totaling \$5.4 million represents funds advanced or transferred to contractors for services not provided by June 30, 2013. The large increase in this account is due to funds transferred for Round 1 and 2 Catalytic programs.
- Other current assets totaling \$0.26 million consisting of \$0.02 million in interest receivable and \$0.24 million in prepaid expense.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

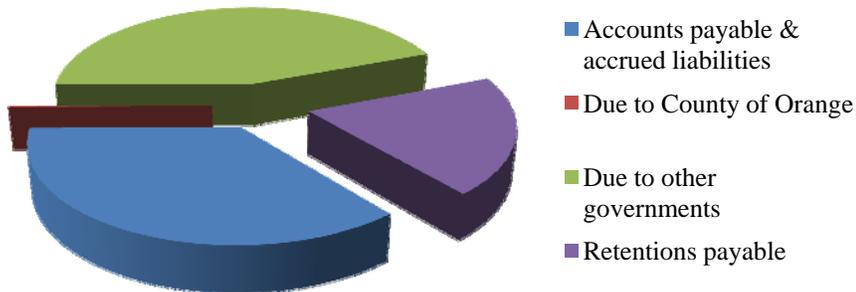
**Assets  
As of June 30, 2013**



Liabilities

- Accounts payable and accrued expenses and due to other governments totaled \$6.5 million. Payables to grantees for services not yet billed at June 30, 2013 are based on established contract terms. The accounts payable decrease is due to more timely billing by contractors and lower program spending.
- Retentions payable totaled \$1.6 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.
- Other current liabilities totaling \$0.2 million consisting of amounts due to the County of Orange and accrued wages and benefits.

**Liabilities  
As of June 30, 2013**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**Changes in Net Position.** For the year ended June 30, 2013, current year operations decreased the Commission's net position by \$6.57 million. The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

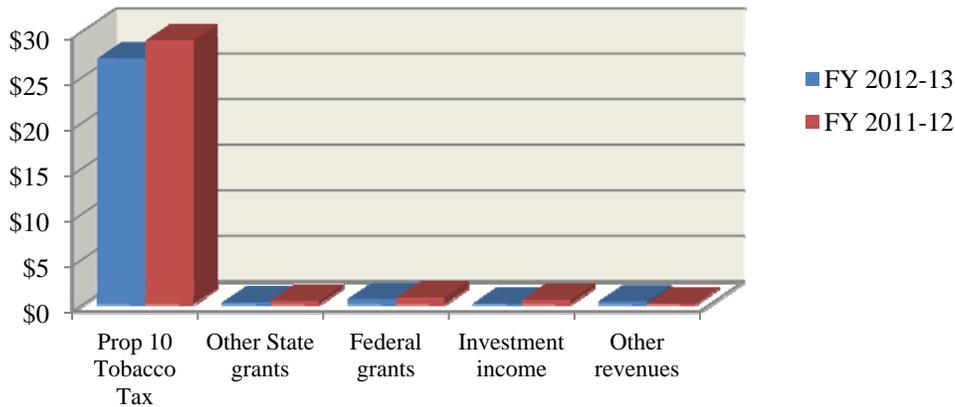
	<u>FY 2012-13</u>	<u>FY 2011-12</u>	<u>Percent Increase (Decrease)</u>
<b>Revenues:</b>			
<b>Program Revenues</b>			
Tobacco taxes	\$27,024,505	\$28,988,350	-6.77%
Other State operating grants and contributions	327,675	435,487	-24.76%
Interest income earned on tobacco taxes at the	9,588	11,612	-17.43%
Federal operating grants and other	828,941	768,246	7.90%
Total program revenues	<u>28,190,709</u>	<u>30,203,695</u>	-6.66%
<b>General Revenues</b>			
Investment income	122,358	481,976	-74.61%
Other revenues	159,344	90,786	75.52%
Total general revenues	<u>281,702</u>	<u>572,762</u>	-50.82%
Total revenues	<u>28,472,411</u>	<u>30,775,457</u>	-7.49%
<b>Expenses:</b>			
0-5 Child development programs	33,341,947	31,155,315	7.02%
Salaries and benefits	1,704,815	2,068,926	-17.60%
Total expenses	<u>35,046,762</u>	<u>33,224,241</u>	5.49%
Extraordinary item: Reversal of AB99 liability	<u>0</u>	<u>51,369,439</u>	-100%
<b>Change in net position:</b>	(6,574,351)	48,921,655	
Net position – July 1	<u>78,985,485</u>	<u>30,063,830</u>	
Net position – June 30	<u>\$72,411,134</u>	<u>\$78,985,485</u>	-8.32%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

Total revenues

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

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



- *Program revenues*

The Commission's program revenues totaled \$28.2 million in FY 2012-13 and accounted for 98.4% of total revenues. This represented a decrease of \$2.1 million (-6.6%) from FY 2011-12 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 \$1.96 million (-6.77%) 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.

- Other State operating grants and contributions includes revenue from the state-wide CARES Plus grant and Child Signature Program. The Commission applied for and was awarded these grants for FY 2012-13 and therefore, the revenue decreased by \$108 thousand (24.76%) from the prior fiscal year. A portion of the revenues were deferred for FY 2012-13 as they were not available to the Commission by June 30, 2013. The revenue will be recognized in FY 2013-14.

- Federal operating grants includes revenues from federal grant programs of VISTA, MAA (Medical Administrative Activities), and ARRA Health Research grant. These revenues increased by \$0.06 million (7.90%). This increase is due to slightly higher reimbursable claims though MAA and slightly higher VISTA program reimbursements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

*General revenues*

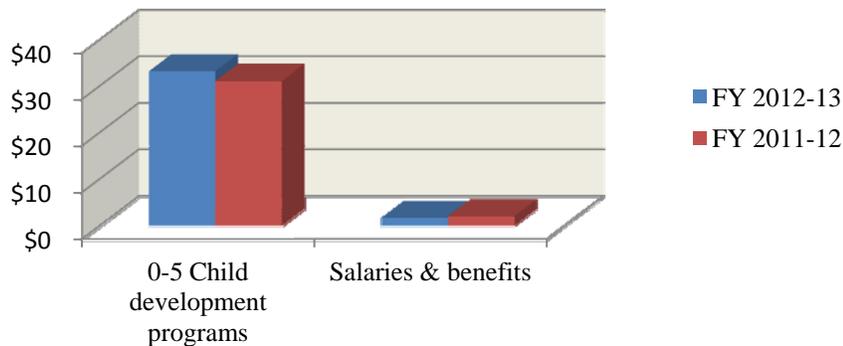
The Commission's general revenues totaled \$282 thousand in FY 2012-13 and accounted for 1% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenues.

- Investment income, decreased by \$0.36 million (75%) 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 as well as a negative fair value adjustment posted for the Commission's proportionate share in the county investment pool at year end.

Governmental Activities Expenses

Total expenses increased by \$1.8 million (5.5%) from the prior fiscal year. The increase is due to Catalytic Round 1 and 2 program funding. \$4.6 million in Catalytic funding was expensed during the fiscal year. FY 2012-13 was the first year for Round 1 and 2 Catalytic funding. Other zero-to-five child development programs totaling \$28.7 million decreased by \$2.4 million or 7.8%.

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



- Zero-to-five child development programs decreased by \$2.2 million (7.02%) from the prior fiscal year to fund programs serving children and families within the Commission's four strategic goal areas of Healthy Children, Ready to Learn, Strong Families and Capacity Building. Reduced program spending is a component of the Commission's long-term financial plan. Prop 10 tobacco tax revenue has been and will continue as a declining revenues source. To focus on sustainability and service delivery while allowing for decreased revenue, the long-term financial plan incorporates a step-down approach to annual program funding over the next ten years. Two specific program areas that account for a significant portion of reduced spending in FY 2012-13 were Children's Dental and Early Literacy. Both of these program areas received Catalytic funding which offset ongoing program funding.
- Salaries and benefits decreased by \$0.39 million (18%) from the prior fiscal year due to eliminated staff positions resulting in salary savings which were slightly offset by increases in retirement and benefit costs in the current fiscal year.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**Analysis of the Commission's Governmental Fund Statements**

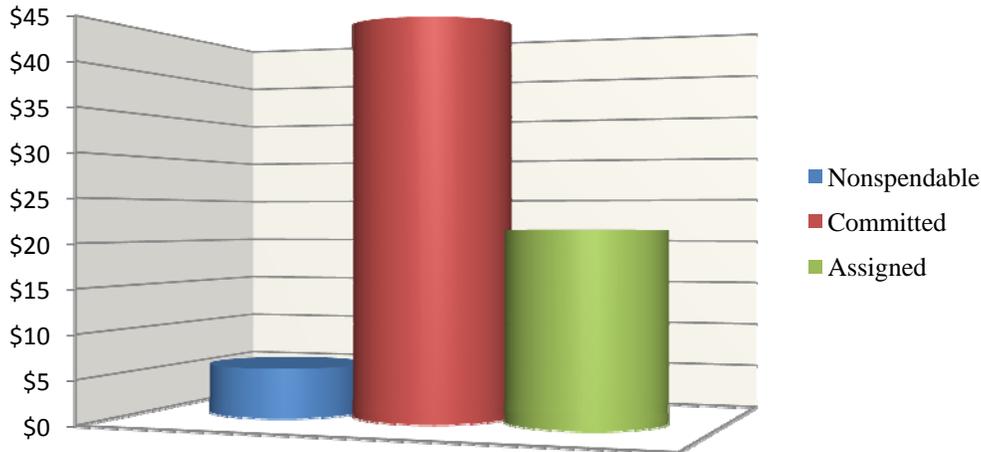
As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The child development 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 \$71.9 million, a decrease of \$6.8 million (8.6%) in comparison with the prior fiscal year.

Total fund balance decreased due to the initial distributions of Catalytic funding in the amount of \$4.6 million. The remaining decrease of \$2.2 million was fund balance used to bridge the gap between current year revenue and expenditures as planned for in the Commission's financial plan.

**Fund Balance Classifications  
As of June 30, 2013  
(\$ in millions)**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**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 increased by \$1.85 million in the Prop 10 tobacco tax revenue line item. The increase was based on a higher projection of tobacco tax distributions by the California Department of Finance and the establishment of budgeted revenues for CARES Plus, VISTA and ARRA Health Research grants.
  - Tobacco tax revenues – increase of \$1.2 million based on prior-year receipts. FY 2011-12 revenue actually increased from the prior-year. Budgeted tobacco tax revenues were adjusted to reflect a 3.5% decline from the higher FY 2011-12 tobacco tax revenue receipts.
  - Other program revenues – increase of \$.65 million was due to First 5 California, federal grant revenues, and partner reimbursements to be received through program grants.
- Total budgeted appropriations were increased by \$1.8 million in the 0-5 child development program expenditures line item. The major components of the increase are summarized as follows:
  - Healthy Children – increase of \$1.37 million mostly for the carryover of prior year unspent funds in Community Clinics and Pediatric Health Services programs.
  - Strong Families – increase of \$0.3 million for the carryover over of prior year unspent funds in Homeless Prevention programs.
  - Early Learning - decrease of \$0.4 million of funding set-aside in Early Literacy programs.
  - Capacity Building – increase of \$0.54 million comprised of \$0.13 million of carryover of prior year unspent funds in Capacity Building Grants and \$0.41 million in new appropriations to VISTA for reimbursable expense through the federal grant award.

**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 2012-13 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were less than budgeted revenues in FY 2012-13 by \$1.27 million. A decrease in actual Prop 10 tobacco tax revenues of 6.77% from the prior year was most of the variance.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

- Total budgeted appropriations exceeded actual expenditures in FY 2012-13 by \$48.4 million largely due to the timing of Catalytic program implementations and funding.
  - 0-5 child development program expenditures were less than budgeted appropriations by \$4.27 million. The variance is due to an accumulation of various program under-spending and the timing of program cost recognition. Budgeted funding amounts for programs delayed or extended will be carried over into the following year's budget.
  - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.06 million due to savings from eliminated positions during the current fiscal year.
  - Catalytic expenditures were \$4.6 million compared to the final budget of \$48.7 million. FY2012-13 was the first year Round 1 and 2 catalytic funds were disbursed. A total funding amount of \$55 million was approved by the Commission as detailed below. Expenditures will be recognized as services are provided and deliverables met for each separate Catalytic program. At budget adoption, the timing of fund distributions and expense recognition were not known. Each Catalytic program has a unique scope and budget. Final payment terms are included in the contracts approved by the Commission for each Catalytic program. The remaining \$50.4 million in Catalytic funding will be carried forward into future year budgets as defined in the related Catalytic contract payment and deliverable schedules.

Commission Catalytic funding

Round 1:

Children's Dental Programs	\$20,000,000
Early Developmental Services / Autism Program	7,000,000
Year Around Emergency Shelter	7,000,000
Early Literacy and Math	5,000,000
Healthy Child Development	5,500,000
VISTA/AmeriCorps transition feasibility	500,000
	<u>\$45,000,000</u>

Round 2:

Capacity Building	\$3,500,000
Partnership for Children's Health	3,000,000
Prevention Services	500,000
Nutrition and Fitness	500,000
Pediatric Vision Services	1,500,000
New Capacity Building	500,000
Implementation for Capacity Building Projects	500,000
	<u>\$10,000,000</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**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 3.5% per year.

The Commission's financial plan will continue planned reductions in annual program funding to account for declining revenues. While the financial plan does assume portions of fund balance will be used in future years to bridge some of the gap between needed services and projected revenue, the Commission still maintains a minimum fund balance of 25% of the annual operating budget.

**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, 2013. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Children & Families Commission of Orange County, 17320 Red Hill Avenue, Suite 200, Irvine, California 92614.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 69,280,830
Imprest cash	15,000
Interest receivable	19,931
Deposits with others	5,380,606
Due from County of Orange	881
Due from other governments	5,836,164
Prepaid expense	243,435
<b>TOTAL ASSETS</b>	<b>80,776,847</b>
 <b>LIABILITIES</b>	
Accounts payable and accrued liabilities	2,847,704
Due to County of Orange	9,593
Due to other governments	3,673,252
Retentions payable	1,634,093
Accrued wages and benefits	70,254
Compensated absences:	
Payable within one year	77,336
Payable after one year	53,482
<b>TOTAL LIABILITIES</b>	<b>8,365,714</b>
 <b>NET POSITION</b>	
Unrestricted	72,411,134
<b>TOTAL NET POSITION</b>	<b>\$ 72,411,134</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, 2013**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities: Child development	\$ 35,046,762	\$ 28,190,709	\$ (6,856,053)
General Revenues:			
Investment income			122,358
Miscellaneous			159,344
Total General Revenues			281,703
Change in Net Position			(6,574,351)
Net Position, July 1			78,985,485
Net Position, June 30			\$ 72,411,134

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2013**

	General Fund
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 69,280,830
Imprest cash	15,000
Interest receivable	19,931
Deposits with others	5,380,606
Due from County of Orange	881
Due from other governments	5,836,164
Prepaid Expense	243,435
Total Assets	\$ 80,776,847
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 2,847,704
Due to County of Orange	9,593
Due to other governments	3,673,252
Retentions payable	1,634,093
Accrued wages and benefits	70,254
Deferred revenue	577,553
Total Liabilities	8,812,448
 <b>FUND BALANCES</b>	
Nonspendable fund balance	5,624,041
Committed fund balance	44,990,092
Assigned fund balance	21,350,266
Total Fund Balances	71,964,399
Total Liabilities and Fund Balances	\$ 80,776,847

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 POSITION  
JUNE 30, 2013**

Fund balances of governmental funds	\$ 71,964,399
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(130,818)
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>577,553</u>
Net Position of governmental activities	<u><u>\$ 72,411,134</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, 2013**

REVENUES

Prop 10 Tobacco Tax	\$ 27,024,505
Investment income earned on tobacco taxes at the State level	9,588
Other State operating grants and contributions	217,258
Federal operating grants	603,957
Investment income	122,358
Other revenue	320,180
Total Revenues	28,297,846

EXPENDITURES

Current:

Salaries and benefits	1,708,344
Expenditures related to the "Zero to Five" Program	28,712,645
Catalytic Round 1 and 2 Program	4,629,302
Total Expenditures	35,050,291

Change in Fund Balance	(6,752,445)
------------------------	-------------

FUND BALANCE, July 1	78,716,844
FUND BALANCE, June 30	\$ 71,964,399

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net changes in fund balance - total governmental funds \$ (6,752,445)

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:

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. 3,529

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. 174,565

Change in net position of governmental activities \$ (6,574,351)

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, 2013**

	Budgeted Amouts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Prop 10 Tobacco Tax	\$ 26,809,800	\$ 27,971,800	\$ 27,024,505	\$ (947,295)
Investment income earned on tobacco taxes at the State level	-	-	9,588	9,588
Other State operating grants and contributions	300,000	425,000	217,258	(207,742)
Federal operating grants	455,195	880,126	603,957	(276,169)
Investment income	150,000	150,000	122,358	(27,642)
Other revenue	-	143,000	320,180	177,180
Total Revenues	<u>27,714,995</u>	<u>29,569,926</u>	<u>28,297,846</u>	<u>(1,272,080)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	1,825,000	1,772,000	1,708,344	63,656
Expenditures related to the "Zero to Five" Program	31,161,628	32,989,182	28,712,645	4,276,537
Catalytic Round 1 and 2 Program Funding	45,000,000	48,730,000	4,629,302	44,100,698
Total Expenditures	<u>77,986,628</u>	<u>83,491,182</u>	<u>35,050,291</u>	<u>48,440,891</u>
Net Change in Fund Balance	(50,271,633)	(53,921,256)	(6,752,445)	49,712,971
FUND BALANCE, July 1	<u>78,716,844</u>	<u>78,716,844</u>	<u>78,716,844</u>	-
FUND BALANCE, June 30	<u>\$ 28,445,211</u>	<u>\$ 24,795,588</u>	<u>\$ 71,964,399</u>	<u>\$ 49,712,971</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, 2013**

**NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Children and Families Commission of Orange County (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 component unit of the County of Orange.

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

**Basis of Accounting and Measurement Focus**

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

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

Government-Wide Financial Statements

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

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

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

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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

Government-Wide Financial Statements, (Continued)

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

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.

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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Adjustments Between Fund Financial Statements and Government-Wide Financial Statements**

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 \$577,553 at June 30, 2013 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.

**Deposits with Others**

The Deposits with Others account includes funds that were transferred or advanced to program providers, but the related services were not provided before June 30, 2013.

**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, 2013.

**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, 2013, which is prepared on the modified accrual basis of accounting. The accompanying statement of revenues, expenditures and changes in fund balance – budget and actual includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**Fund Balance**

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

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, 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 (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.

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.

**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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

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

**GASB Statement No. 60** – In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement is to improve financial reporting by addressing issues related to service concession arrangements. This statement was effective July 1, 2012. The Commission has determined that this statement did not have a material impact on the financial statements.

**GASB Statement No. 61** – In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this statement is to improve financial reporting for governmental financial reporting entities. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were a part of the primary government in certain circumstances. This statement was effective July 1, 2012. The Commission has determined that this statement does not have a material impact on the financial statements.

**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 was effective July 1, 2012. The Commission has determined that this statement did not have a material impact on the financial statements.

**GASB Statement No. 63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 30, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Commission implemented this statement effective July 1, 2012.

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. The Commission has not determined the effect of this statement.

**GASB Statement No. 66** – In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62*. This statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for financial statements beginning after December 15, 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, 2013**

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

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

**GASB Statement No. 67** – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective June 30, 2014. The Commission has not determined the effect of this statement.

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

**GASB Statement No. 69** – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for periods beginning after December 31, 2013. The Commission has not determined the effect of this statement.

**GASB Statement No. 70** – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for periods beginning after June 15, 2013. 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	\$ 69,280,830
Imprest Cash	<u>15,000</u>
Total Cash and Investments	<u><u>\$ 69,295,830</u></u>

Cash and investments consisted of the following at June 30, 2013:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 69,280,830
Imprest Cash	<u>15,000</u>
Total Cash and Investments	<u><u>\$ 69,295,830</u></u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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 380 days as of June 30, 2013. The Commission’s equity in the Pool was 2.24% of the total Pool. For further information regarding the Orange County Investment Pool, refer to the County of Orange Comprehensive Annual Financial Report.

Cash on deposit with the Treasurer at June 30, 2013 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. The fair value adjustment at June 30, 2013 decreased the Commission’s investment income by \$168,441. 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, 2013, the Orange County Investment Pool was assigned by S&P at a AAAm Principal Stability Fund Rating.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013, were as follows:

Due from State Commission:	
Prop 10 revenue for:	
May 2013	\$ 2,363,228
June 2013	2,545,910
Surplus Money Investment Fund Allocations	9,588
First 5 CARES Plus Program	310,246
First 5 Child Signature Program	90,171
Due from other governmental agencies for:	
Medi-Cal Administrative Activities (MAA)	143,954
ARRA Health Research Grant	223,120
Vista funds	149,947
Total Due from Other Governments	<u>\$ 5,836,164</u>

**NOTE 4 – 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, 2013, were as follows:

Due to local government agencies:	
FY 2012-2013 Contract Payment Accruals	\$ 3,673,252
Total Due to Other Governments	<u>\$ 3,673,252</u>

**NOTE 5 – COMPENSATED ABSENCES**

The vested compensated absences liability balance at June 30, 2013 consists of the following activity:

Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
\$ 134,347	\$ 161,881	\$ 165,408	\$ 130,818	\$ 77,336

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 6 – FUND BALANCE**

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2013 consists of the following:

	June 30, 2013
Nonspendable:	
Prepaid retirements	\$ 243,435
Deposits with Others	5,624,041
Committed for:	
Contractual obligations	44,990,092
Assigned for:	
Budgeted programs	21,350,266
Total Due from Other Governments	\$ 71,964,399

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2013-2014. Refer to Note 8 for further details. Also included are the amounts transferred to contractors for services not provided by June 30, 2013.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2013 for FY 2013-2014 and future years of Commission Round 1 and 2 Catalytic funding.

Assigned for budgeted programs – consists of FY 2013-2014 contracts that were approved by Commission action and included in the FY 2013-2014 Operating Budget.

**NOTE 7 – CONTINGENCIES**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

*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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

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 28.80% for the year ended June 30, 2013. 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 6.45% for the year ended June 30, 2013.

The Commission’s annual required contribution to OCERS was \$345,038 for the year ended June 30, 2013. 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>
6/30/2011	\$ 431,625	100.00%
6/30/2012	412,774	100.00%
6/30/2013	345,038	100.00%

*Prepayment of 2013-2014 contributions.* In August 2012, 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 2013-2014. Subsequently, the Commission authorized the pre-payment of \$270,213 in January 2013. As of June 30, 2013, \$243,435 remained in the prepayment account and will be applied towards the Commission’s employer required OCERS contributions for FY 2013-2014.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 9 – COMMITMENTS**

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

FY 2013-14	\$	111,470
FY 2014-15		68,607
FY 2015-16		68,607
FY 2016-17		22,869
	<u>\$</u>	<u>271,553</u>

Rent expense was \$197,196 for the year ended June 30, 2013.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The Commission contracts with the County to provide accounting, banking and investment, purchasing, human resources, risk management and other administrative services. The Commission participates in the County's risk management programs (commercial and self-insurance programs) for general and automobile liability insurance, public official liability, rental interruption, personal property, worker's compensation, group health indemnified plans, group salary continuance plan, group dental plan and unemployment benefit plan. The Commission records its portion of related insurance premiums charged by the County as an expense. Insurance expense for the year ended June 30, 2013 was \$60,895. The Commission incurred expenses totaling \$569,307 for all other County services provided during the year ended June 30, 2013. The amount owed to the County of Orange for related party transactions at June 30, 2013 was \$9,593.

The Commission paid \$1,688,636 of service provider grants to organizations which are represented by two members of the Board of Commissioners, although both members abstain from all votes regarding funding to the organization represented.

**NOTE 11 – PROGRAM EVALUATION**

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

For the year ended June 30, 2013, the Commission expended \$894,496 for program evaluation.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 12 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description.* In accordance with the Commission’s participation agreement entered into in July 2007, the Commission is a participant in the County of Orange Retiree Medical Plan (the Plan). The County of Orange has established the Plan as a single-employer defined benefit retiree medical plan. The Plan provides a grant for medical benefits to eligible retirees and their dependents and lump-sum payments for employees separating from employment prior to being eligible for the grant. The County Board of Supervisors maintains the authority to establish and amend the Plan’s benefit provisions. The financial statements and required supplementary information of the Plan are included in the County of Orange’s fiscal year 2012-2013 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, 2013, the Commission was required to contribute 3.32% 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, 2013 were \$42,646 which equaled the required contributions.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2011	\$ 38,023	100.00%
6/30/2012	33,639	100.00%
6/30/2013	42,646	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.

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

CARES Plus is designed to improve the quality of early learning programs by focusing on increasing the quality, effectiveness, and retention of early educators. As a statewide professional development program, its main objectives are to improve both the quality of early learning programs, and ultimately, learning and developmental outcomes for young children. Commission claimed \$310,246 in CARES Plus Phase II reimbursable expenses for the period ending June 30, 2013. Phase II funds have three to one Commission match to each dollar of First 5 funding.

The Child Signature Program primary purpose in Orange County is to increase quality in early learning programs for children zero to five in identified Early Childhood Education centers where the educational divide is greatest. The program focuses on providing quality improvement support through training and technical assistance to local centers. The Commission participated in Child Signature Program (CSP) RFA #2 and claimed reimbursable expenses of \$90,171 to First 5 California for the period ending June 30, 2013.

**OTHER SUPPLEMENTARY INFORMATION**



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

**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.	36
<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the Commission’s most significant revenue base.	44
<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.	47
<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.	50

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NET POSITION BY COMPONENT  
LAST NINE FISCAL YEARS\***

	Fiscal Year			
	2013	2012	2011	2010
Net investment in capital assets	\$ -	\$ -	\$ 235	\$ 798
Unrestricted	72,411,134	78,985,485	30,063,595	102,842,804
Total net position	<u>\$ 72,411,134</u>	<u>\$ 78,985,485</u>	<u>\$ 30,063,830</u>	<u>\$ 102,843,602</u>

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

<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 2,301	\$ 5,121	\$ 7,942	\$ 11,419	\$ 16,213
122,720,258	142,142,025	151,578,753	152,265,738	146,184,260
<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>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS\***

	Fiscal Year			
	2013	2012	2011	2010
Expenses:				
Governmental activities:				
Salaries and benefits	1,704,815	2,094,872	2,290,308	2,415,467
Expenses related to "Zero to Services and supplies for State	33,341,947	31,129,369	49,431,678	46,836,184
				6,844,534
Extraordinary Item: Accrual of AB99 liability			51,369,439	
Total expenses	<u>35,046,762</u>	<u>33,224,241</u>	<u>103,091,425</u>	<u>56,096,185</u>
Program revenues:				
Governmental activities:				
Operating grants and contributions				
Prop 10 Tobacco taxes	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921	\$ 29,706,126
Prop 10 State School Readiness				4,349,489
First 5 CARES Plus	237,504	435,487		
First 5 Child Signature Program	90,171			
Other State operating grants and Federal operating grants	668105	592,725	641,124	145,834
				752,152
General revenues				
Investment income earned on	9,588	11,612	15,331	82,000
Investment income	122,358	481,976	818,294	1,141,118
Other revenue	320,180	265,632	26,983	40,509
Extraordinary Item: Reversal of AB99 liability		51,369,439		
Total revenues	<u>\$ 28,472,411</u>	<u>\$ 82,145,221</u>	<u>\$ 30,311,653</u>	<u>\$ 36,217,228</u>
Net (expense) revenue	<u>\$ (6,574,351)</u>	<u>\$ 48,920,980</u>	<u>\$ (72,779,772)</u>	<u>\$ (19,878,957)</u>

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

Fiscal Year				
2009	2008	2007	2006	2005
2,439,415	2,323,471	2,258,080	2,241,058	1,675,442
54,377,591	51,331,591	42,972,440	36,171,992	46,969,598
5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
<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>
\$ 33,396,055	\$ 35,494,096	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
4,294,144	4,114,774	1,706,125	2,554,681	3,698,878
104,166	352,597	669,897	330,598	476,537
1,020,269	1,020,556	2,237,302	307,741	4,601,132
82,479	190,332	430,669	203,588	871,949
3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
210,659	148,113	41,527	176,257	210,602
<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>
<u>\$(19,424,587)</u>	<u>\$ (9,439,549)</u>	<u>\$ (690,463)</u>	<u>\$ 6,076,684</u>	<u>\$ 655,324</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FUND BALANCES – GENERAL FUND  
LAST NINE FISCAL YEARS\***

	Fiscal Year			
	2013	2012	2011	2010
Reserved				
Reserved for imprest fund				\$ 15,000
Reserved for encumbrances				43,044,502
Reserved for contractual obligations				24,677,280
Reserved for capital projects				2,500,050
Reserved for First 5 California initiatives				
Unreserved				
Designated for program operations				2,495,502
Designated for future funding cycles and operating budget				30,006,543
Total fund balances	\$ -	\$ -	\$ -	\$102,738,877

	Fiscal Year			
	2013	2012	2011	2010
FUND BALANCES				
Nonspendable fund balance	\$ 5,624,041	\$ 65,657	\$ 399,279	\$ -
Restricted fund balance				
Committed fund balance	44,990,092	45,090,000	35,123,581	67,721,782
Assigned fund balance	21,350,266	33,560,512		5,010,552
Unassigned fund balance			(5,547,385)	30,006,543
Total fund balances	\$ 71,964,399	\$ 78,716,169	\$ 29,975,475	\$102,738,877

<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -
70,245,812	2,207,285	22,151,367	20,116,494	16,586,404
27,017,022	68,027,433		33,553,325	32,771,294
4,000,000	5,000,000			
	8,690,731	5,378,112		
3,128,463				
18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
<u>\$122,521,616</u>	<u>\$142,192,579</u>	<u>\$151,474,018</u>	<u>\$143,409,869</u>	<u>\$139,097,748</u>

<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ -	\$ -	\$ -	\$ -	\$ -
	8,690,731	5,378,112		
97,262,834	70,234,718	22,151,367	53,669,819	49,357,698
7,143,463	5,015,000	15,000		
18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
<u>\$122,521,616</u>	<u>\$142,192,579</u>	<u>\$151,474,018</u>	<u>\$143,409,869</u>	<u>\$139,097,748</u>

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

	Fiscal Year		
	2013	2012	2011
<b>Revenues:</b>			
Prop 10 Tobacco taxes	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921
Prop 10 State School Readiness			
Other State operating grants and contributions			
First 5 CARES Plus	217,258	145,487	
First 5 Child Signature Program			
Investment income earned on tobacco taxes at the State Level (SMIF)	9,588	11,612	15,331
Federal operating grants	603,957	903,770	686,722
Investment income	122,358	481,976	818,294
Other revenue	320,180	90,786	26,983
Total revenues	<u>28,297,846</u>	<u>30,621,981</u>	<u>30,357,251</u>
<b>Expenditures:</b>			
Current:			
Salaries and benefits	1,708,344	2,094,972	2,320,099
Expenditures related to "Zero to Five" Program	33,341,947	31,155,080	49,431,115
Services and supplies for State School Readiness program			
Capital outlay			
Total expenditures	<u>35,050,291</u>	<u>33,250,052</u>	<u>51,751,214</u>
Excess (deficiency) or revenues over (under) expenditures	(6,752,445)	(2,628,071)	(21,393,963)
<b>Other Financing Sources (uses):</b>			
Extraordinary Item: Accrual of AB99 liability			(51,369,439)
Extraordinary Item: Reversal of AB99 liability		51,369,439	
Total changes in fund balance	<u>\$ (6,752,445)</u>	<u>\$ 48,741,368</u>	<u>\$ (72,763,402)</u>

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

**Fiscal Year**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 29,706,126	\$ 33,396,055	\$ 35,527,837	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
4,349,489	4,294,144	4,114,774	10,461,757		
145,834	104,166	352,597	669,897	311,792	193,567
82,000	82,479	190,332	430,669		871,949
840,427	757,061	1,130,638	2,237,302	1,432,084	1,848,076
1,141,118	3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
40,509	210,659	148,113	41,527	36,867	181,836
<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>
2,409,027	2,425,403	2,312,004	2,262,578	2,218,293	1,670,398
46,834,681	54,374,771	51,328,771	42,968,962	36,167,198	46,965,745
6,844,534	5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
					11,286
<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>
(19,782,739)	(19,670,963)	(9,281,439)	8,064,149	4,312,121	(6,110,735)
<u><u>\$ (19,782,739)</u></u>	<u><u>\$ (19,670,963)</u></u>	<u><u>\$ (9,281,439)</u></u>	<u><u>\$ 8,064,149</u></u>	<u><u>\$ 4,312,121</u></u>	<u><u>\$ (6,110,735)</u></u>

**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	\$28,809,921	\$374,284,018
2011/2012	\$28,988,350	\$377,690,133
2012/2013	\$27,024,505	\$360,434,399
<hr/>		
<b>Projected Revenues (2)</b>		
2013/2014	\$26,319,003	\$346,791,200
2014/2015	\$25,342,828	\$335,591,200
2015/2016	\$24,738,693	\$327,591,200
2016/2017	\$23,772,076	\$314,791,200

\* 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 2012/13 to 2016/17 (Updated 5/28/13 utilizing DOF May Revise 2013 Tobacco Tax Projections and DOF 2011 Birth Projections for California State and Counties 1970-2021)

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATE OF CALIFORNIA-CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS  
SURTAX REVENUE, 1959-60 TO 2010-11**

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
2010-11	\$828,831,000	\$7,105,000	\$835,937,000	\$1,308,000	\$77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	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 h/	37.47
1988-89	499,712,000 h/	4,273,000	503,984,000	4,968,000	9,994,000 h/	41.67
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		
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 l/	62,558,000	67,000		

Source: State Board of Equalization 2010-2011 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2010-11

- 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 2010-11**

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

Source: State Board of Equalization 2010-2011: Annual Report Table 30B - Cigarette Distributions and Per Capita Consumption, 1959-60 to 2010-11

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

r. Revised.

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

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

	<b>2011**</b>	<b>2010**</b>	<b>2009*</b>	<b>2008*</b>	<b>2007*</b>	<b>2006*</b>	<b>2005*</b>	<b>2004*</b>	<b>2003*</b>	<b>2002*</b>	<b>2001*</b>
Total Population	3,047,120	3,017,327	2,998,820	2,982,790	2,965,829	2,955,425	2,957,137	2,956,473	2,939,733	2,914,419	2,889,905
White	1,334,890	1,336,843	1,363,087	1,383,364	1,392,586	1,405,485	1,423,283	1,439,227	1,447,963	1,453,276	1,458,041
Hispanic	1,032,608	1,010,752	1,008,604	986,104	972,550	961,383	953,194	943,436	928,977	912,149	894,753
Asian & Pacific Islander	554,923	549,149	510,352	499,281	488,521	478,200	471,594	466,022	457,035	445,830	436,407
Black	47,714	45,894	44,641	44,520	44,336	44,328	44,454	44,504	44,397	44,230	44,064
Other/Multi-Race	76,985	74,689	72,136	69,521	67,836	66,029	64,612	63,284	61,361	58,934	56,640
Female	1,540,252	1,526,396	1,512,752	1,505,167	1,496,612	1,491,352	1,491,824	1,490,897	1,482,044	1,469,077	1,456,254
Male	1,506,868	1,490,931	1,486,068	1,477,623	1,469,217	1,464,073	1,465,313	1,465,576	1,457,689	1,445,342	1,433,651
Under 5 years	190,153	190,574	194,723	200,988	202,945	206,581	211,862	215,185	216,027	215,595	215,302
5-9 years	196,567	197,334	200,944	206,588	209,284	211,386	214,222	218,740	222,701	226,100	228,607
10-14 years	208,217	210,213	209,260	218,622	222,735	226,066	228,892	229,527	226,559	221,305	214,550
15-19 years	226,967	228,147	222,780	219,706	215,560	211,947	209,182	206,124	202,996	200,166	198,376
20-24 years	220,121	215,348	209,857	210,065	209,122	208,119	207,329	205,261	201,562	197,484	194,730
25-34 years	420,397	414,942	411,027	407,538	406,889	410,873	420,513	433,062	444,037	454,288	464,427
35-44 years	433,018	436,662	447,102	463,117	468,042	472,297	477,416	481,743	482,978	482,564	481,660
45-54 years	448,793	444,935	443,950	431,378	422,705	413,346	405,181	397,440	388,866	380,310	372,891
55-59 years	185,367	177,331	172,474	165,260	163,804	161,041	157,034	152,133	146,880	140,817	133,371
60-64 years	154,221	148,668	142,894	132,056	125,167	120,075	116,676	113,220	108,649	103,451	99,290
65-74 years	197,489	189,614	183,812	171,707	166,405	162,709	160,296	158,012	154,978	151,806	149,338
75-84 years	114,165	113,374	111,930	111,338	110,392	109,762	108,681	107,286	105,784	103,938	101,841
85+	51,645	50,184	48,067	44,427	42,779	41,223	39,853	38,740	37,716	36,595	35,522

Sources:                   \* State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, May 2012.  
                                  \*\* State of California, Department of Finance, Report P-2 - State and County Population Projections by Race/Ethnicity and 5-year Age Groups, 2010-2060 (by year), Jan 2013.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
LIVE BIRTHS, CALIFORNIA COUNTIES, 2002-2011 (By Place of Residence)**

COUNTY	YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>CALIFORNIA</b>	<b>529,245</b>	<b>540,827</b>	<b>544,685</b>	<b>548,700</b>	<b>562,157</b>	<b>566,137</b>	<b>551,567</b>	<b>526,774</b>	<b>509,979</b>	<b>502,023</b>
ALAMEDA	21,802	21,574	20,919	20,902	21,058	21,519	20,972	20,320	19,302	19,002
ALPINE	11	14	8	15	13	13	13	4	4	6
AMADOR	260	299	262	288	274	294	288	295	272	269
BUTTE	2,268	2,382	2,354	2,451	2,633	2,519	2,518	2,439	2,454	2,392
CALAVERAS	338	323	322	371	393	397	373	338	346	326
COLUSA	307	330	345	381	389	386	367	361	338	302
CONTRA COSTA	13,315	13,210	13,279	13,143	13,565	13,485	13,136	12,680	12,352	12,057
DEL NORTE	288	299	285	327	365	356	312	333	372	337
EL DORADO	1,765	1,751	1,897	1,930	2,036	1,881	1,814	1,719	1,618	1,629
FRESNO	14,766	15,401	15,896	15,936	16,876	17,291	16,760	16,273	16,281	16,157
GLENN	408	431	398	431	455	434	472	424	434	391
HUMBOLDT	1,420	1,444	1,509	1,598	1,643	1,599	1,601	1,542	1,551	1,448
IMPERIAL	2,662	2,908	2,861	3,058	3,127	3,148	3,221	3,145	3,072	3,075
INYO	173	198	214	205	250	212	226	239	192	213
KERN	12,211	12,888	13,455	14,022	15,104	15,328	15,315	14,827	14,416	14,287
KINGS	2,311	2,365	2,549	2,554	2,683	2,781	2,710	2,644	2,507	2,565
LAKE	636	684	686	728	695	742	705	726	721	715
LASSEN	301	300	301	289	259	264	323	325	322	300
LOS ANGELES	151,167	152,192	151,504	150,377	151,837	151,813	147,684	139,679	133,160	130,312
MADERA	2,147	2,291	2,346	2,349	2,622	2,611	2,535	2,390	2,434	2,401
MARIN	2,772	2,830	2,792	2,785	2,734	2,819	2,716	2,495	2,368	2,385
MARIPOSA	130	135	150	122	159	141	147	155	145	132
MENDOCINO	1,078	1,102	1,125	1,121	1,106	1,145	1,168	1,100	1,059	1,061
MERCED	4,030	4,278	4,296	4,470	4,742	4,650	4,423	4,407	4,248	4,281
MODOC	67	89	85	81	80	80	92	85	119	87
MONO	138	139	170	153	192	161	175	139	151	156
MONTEREY	7,119	7,423	7,396	7,501	7,474	7,551	7,434	7,068	6,764	6,814
NAPA	1,571	1,676	1,604	1,658	1,754	1,665	1,671	1,653	1,525	1,572
NEVADA	823	821	818	819	804	844	871	758	793	761
ORANGE	44,796	45,366	45,060	44,065	44,231	44,026	42,456	40,431	38,237	38,100
PLACER	3,484	3,639	3,797	3,823	3,892	4,051	4,035	3,804	3,824	3,832
PLUMAS	183	180	173	176	172	186	175	154	170	165
RIVERSIDE	26,691	28,028	29,545	31,509	33,659	34,556	32,866	31,601	30,659	30,610
SACRAMENTO	19,243	20,424	20,836	21,184	21,952	22,110	21,389	20,426	20,055	19,998
SAN BENITO	920	869	887	892	885	882	816	752	735	772
SAN BERNARDINO	29,696	30,824	31,914	33,075	34,675	35,193	33,788	31,984	31,367	30,573
SAN DIEGO	43,951	45,368	45,758	45,897	46,876	47,545	46,742	44,960	44,838	43,621
SAN FRANCISCO	8,361	8,659	8,579	8,403	8,609	9,125	9,104	8,807	8,800	8,813
SAN JOAQUIN	10,162	10,455	11,010	11,495	11,782	11,592	11,030	10,872	10,593	10,328
SAN LUIS OBISPO	2,368	2,620	2,694	2,664	2,727	2,884	2,737	2,614	2,736	2,632
SAN MATEO	10,091	10,179	10,089	9,938	9,808	9,910	9,765	9,452	9,193	9,047
SANTA BARBARA	5,698	5,800	6,209	6,192	6,166	6,289	6,319	6,039	5,819	5,803
SANTA CLARA	27,060	26,997	26,537	26,553	26,942	27,484	26,730	25,200	23,936	23,652
SANTA CRUZ	3,334	3,453	3,399	3,385	3,600	3,571	3,538	3,301	3,190	3,232
SHASTA	1,963	2,060	2,046	2,123	2,191	2,230	2,186	2,069	2,136	2,021
SIERRA	30	30	18	35	14	24	22	21	23	23
SISKIYOU	411	493	467	470	493	512	498	477	434	472
SOLANO	5,851	5,818	5,688	5,737	5,801	5,847	5,607	5,392	5,047	5,158
SONOMA	5,679	5,843	5,964	5,613	5,896	5,742	5,761	5,683	5,391	5,150
STANISLAUS	7,929	8,022	8,061	8,445	8,728	8,826	8,549	7,941	7,804	7,737
SUTTER	1,263	1,352	1,342	1,484	1,577	1,497	1,468	1,433	1,360	1,326
TEHAMA	711	758	700	872	818	765	790	814	767	728
TRINITY	106	105	110	120	122	117	126	116	107	123
TULARE	7,419	7,602	7,957	8,168	8,284	8,505	8,533	8,362	8,155	7,966
TUOLUMNE	442	468	477	446	495	474	486	425	487	430
VENTURA	11,606	12,008	11,954	12,160	12,453	12,194	12,076	11,353	11,147	10,656
YOLO	2,384	2,434	2,404	2,453	2,646	2,522	2,669	2,483	2,426	2,340
YUBA	1,129	1,196	1,184	1,258	1,341	1,349	1,264	1,245	1,223	1,282

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2000-2010**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b><u>GOOD HEALTH</u></b>										
Total percentage of women who received early prenatal care*	89.0%	88.0%	88.0%	88.0%	91.0%	91.0%	92.0%	92.0%	91.0%	89.0%
Women with prenatal care in the first trimester*	34,018	35,650	37,267	38,727	38,364	38,365	41,306	41,516	40,654	40,612
Newborns with low birth weight (less than 2,500 grams)*	2,462	2,670	2,705	2,879	2,816	2,826	2,782	2,718	2,710	2,666
Percent of Newborns with low birth weight*	6.4%	6.6%	6.4%	6.5%	6.4%	6.4%	6.2%	6.0%	6.1%	5.9%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth*	89	81	107	158	164	165	203	120	121	93
Children adequately immunized at age 2*	76.6%	81.1%	76.9%	78.9%	78.9%	77.6%	71.4%	73.8%	71.4%	69.7%
Infant Deaths*	147	165	202	187	224	211	179	200	216	206
Infant Mortality Rate (per 1,000 live births)*	3.8	4.1	4.8	4.2	5.1	4.8	4	4.4	4.8	4.5
Birth rate per 1,000 females ages 15-19 in Orange County*	21.4	23.6	25.9	27.7	29.9	29.8	30.1	30.7	32.3	34.9
Breastfeeding Percentages (any)*	92.7%	88.0%	***							
Breastfeeding Percentages (exclusive)*	55.6%	39.2%	***							
Number of children under 18 served by children and youth services*	13,006	12,864	12,552	12,334	11,962	12,203	13,724	14,007	13,590	12,893
<b><u>ECONOMIC WELL-BEING</u></b>										
Children receiving financial assistance through CalWORKS*	42,793	35,962	31,932	32,040	33,618	36,245	37,384	38,997	38,999	39,826
Percent of children receiving CalWORKS of total population under 18*	5.4%	4.5%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Number of students receiving free and reduced lunch*	227,820	211,179	197,671	184,956	193,802	200,340	196,430	198,167	190,979	183,524
Percentage of students receiving free and reduced lunch*	44.0%	43.0%	40.0%	39.0%	39.0%	39.0%	38.0%	38.0%	38.0%	37.0%
Number of participants served by the WIC program*	100,434	104,622	117,188	107,595	95,635	98,635	99,115	97,882	103,264	99,632
Total number of child support cases*	100,056	103,598	94,860	94,769	97,425	98,503	99,134	102,040	99,903	102,043
Total child support collections \$ (in millions)*	177.6	180.3	179.6	179	176.8	176.9	171.9	166.1	163.5	159.3
<b><u>EDUCATIONAL ACHIEVEMENT</u></b>										
Total public school enrollment*	502,903	502,239	504,136	503,225	503,955	510,114	513,744	515,464	512,105	503,351
Number of English learner students*	141,605	140,887	142,833	141,762	144,118	149,535	153,055	159,145	156,725	150,653
Average \$ expenditure per pupil for grades K-12*	7,852	8,724	8,844	8,008	7,360	6,944	6,750	6,715	6,557	6,156
Total number of students K-12 receiving special education*	51,208	51,394	51,486	51,047	51,131	52,243	51,049	51,514	50,236	49,013
<b><u>SAFE HOMES AND COMMUNITIES</u></b>										
Total number of child abuse registry reports*	37,977	38,900	41,119	36,593	33,381	34,909	37,015	27,704	25,607	26,005
Average monthly number of children in out-of-home care*	2,195	2,466	2,668	2,562	2,394	2,566	2,772	2,939	3,253	3,475
Average monthly number of dependents of the court*	3,022	3,433	3,675	3,447	3,187	3,399	3,674	4,007	4,256	4,618
Emancipation Services Program: monthly average youth served*	1,981	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*	355	345	406	343	295	373	424	513	475	419
Total juvenile arrests for youth 10 to 17 years of age*	13,495	14,354	14,927	15,015	14,036	13,014	13,033	13,580	13,646	14,986
Total number of juveniles referred to probation, 10 to 18 years*	11,533	11,531	12,456	11,900	10,852	10,772	10,092	10,491	10,770	10,688

\* The 18th Annual Report on the Condition of Children in Orange County 2012 presents dates through calendar year 2010. Data through FY 2011-12 not yet available.

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

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

**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**

**2012\***

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Co.	25,000	1	1.57%
University of California, Irvine	21,800	2	1.37%
St. Joseph Health System	11,679	3	0.73%
Boeing Co.	6,873	4	0.43%
Kaiser Permanente	6,300	5	0.40%
Bank of America Corp.	6,000	6	0.38%
Memorial Care Health System	5,545	7	0.35%
Target Corp.	5,400	8	0.34%
Cedar Fair LP	5,200	9	0.33%
California State University, Fullerton	4,984	10	0.31%

**2003\*\***

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Co.	21,000	1	1.35%
University of California, Irvine	15,000	2	0.96%
CKE Restaurants Inc	14,000	3	0.90%
Boeing Co.	10,800	4	0.69%
Albertson's	8,700	5	0.56%
St. Joseph Health System	8,500	6	0.54%
Tenet Healthcare	8,300	6	0.53%
Yum Brands Inc.	6,500	8	0.42%
SBC Communications	5,900	9	0.38%
Target Corp.	5,400	10	0.35%

\* Source: Orange County Business Journal, Book of Lists, 2013 (list includes corporations, hospitals and universities)

\*\* Source: OC ALMANAC - Largest Employers in Orange County, 2002-2003 (list includes corporations, hospitals and universities)

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
EMPLOYEES BY FUNCTION  
LAST EIGHTS FISCAL YEAR**

	<b>Fiscal Year</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Number of Employees by Function				
General Administration	4	6	7	7
Finance	1	2	2	2
Contracts Administration	4	4	5	5
Program Management & Evaluation	4	3	3	4
<b>Total Employees</b>	<b>13</b>	<b>15</b>	<b>17</b>	<b>18</b>

\* Table presents Regular and Limited-Term Employees

Fiscal Year				
2009	2008	2007	2006	2005
7	8	7	8	8
2	1	2	3	2
5	5	5	5	2
4	4	2	2	2
<u>18</u>	<u>18</u>	<u>16</u>	<u>18</u>	<u>14</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 27, 2013. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012.

**Internal Control Over Financial Reporting**

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

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

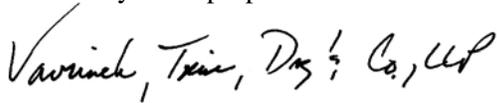
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California  
September 27, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### Compliance

We have audited the basic financial statements of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California as of and for the year ended June 30, 2013 and have issued our report thereon dated September 27, 2013. Our report included an emphasis-of-matter regarding the Commission's adoption of Statement of Governmental Accounting Standard (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. 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. 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, 2013.

### Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Commission's management.

### Auditor's Responsibility

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 General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 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 connection with the audit referred to above, we selected and tested transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

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

**Opinion**

In our opinion, the Commission 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, 2013.

**Purpose of Report**

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



Laguna Hills, California  
September 27, 2013

**CHILDREN AND FAMILIES COMMISSION OF  
ORANGE COUNTY**

**SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2013**

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 27, 2013. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California  
September 27, 2013



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

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

**Report on Compliance for Each Major Federal Program**

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, 2013. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Commission, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the financial statements of the governmental activities and the general fund of the Commission as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. We issued our report thereon dated September 27, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by *OMB Circular A-133*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Laguna Hills, California  
September 27, 2013

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Corporation for National and Community Services:</b>			
Volunteers in Service to America (VISTA) [1]	94.013	06VSPCA032	\$ 371,535
<b>U.S. Department of Health and Human Services:</b>			
NIH Recovery Act Research Support - ARRA			
Passed through from:			
The University of California, Irvine Medical Assistance Program	93.701	2010-2490	277,364
Passed through from:			
County of Orange Medi-Cal Administrative Activities	93.778	03-75080	<u>143,954</u>
<b>Subtotal - U.S Department of Health and Human Services</b>			<u>421,318</u>
Total Expenditures of Federal Awards			<u><u>\$ 792,853</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, 2013**

***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 Schedule of Expenditures of Federal Awards includes expenditures incurred for Medi-Cal Administrative Activities (CFDA No. 93.778) in the fiscal year 2011-2012, which were approved for reimbursement by the grantor agency in the fiscal year 2012-2013.

**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, 2013**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</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>Unmodified</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>
94.013	Volunteers in Service to America (VISTA)
_____	_____
_____	_____
_____	_____

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, 2013**

**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, 2013**

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

None noted.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2013**

None noted.



**Agenda Item No. 7  
October 2, 2013 Meeting**

**DATE:** September 23, 2013  
**TO:** Children and Families Commission of Orange County  
**FROM:** Christina Altmayer, Executive Director *Christina Altmayer*  
**SUBJECT:** Public Hearing: FY 2012-13 Annual Report and Financial Audit and Amendments to FY 2013-14 Operating Budget and Strategic Plan

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**SUMMARY:**

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 First 5 California Commission on or before November 1 of each year. Also, the audit report must 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. This report provides the required components to conduct the public hearing related to:

- Annual program report, including supplemental report
- Required certifications
- Comprehensive Annual Financial Report and Single Audit Report

In addition, this report includes recommended amendments to FY 2012/13 Approved Operating Budget.

**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 Commission. Attachment 1 includes a summary of the full report. In addition to the Annual Program Report that is developed consistent with First 5 California Guidelines, a Supplemental Report has been developed that presents the Annual Program Report data by the Commission's goal area and funded including child demographic data.

This past year, the First 5 California Association's Evaluation Committee worked with the state and local Commissions to revise the Annual Report Glossary. The purpose of this effort was to:

- Promote greater consistency in the data collected
- Focus data reporting in the areas where First 5 counties are having significant statewide impact
- Support county commissions who may not have reviewed the Glossary in recent years.

**Commissioners**

**Executive Director**

Although the use of the new Glossary for FY 2012/13 reporting is voluntary, Orange County has implemented the new glossary for this reporting period. Changes include several child health result areas now bundled into a broader Maternal Child Health category and all comprehensive screening and assessment is now merged into one result area. The Annual Report format has been updated this year to once again include a brief County Summary highlighting priorities for each local Commission. This year, Orange County's Summary includes a focus of the transitions occurring in the child health enrollment and coverage and the Commission's investments in Autism and early developmental services, oral health and vision services. .

Highlights from the Orange County *FY 2012/13 Annual Program Report* include:

- 171,426 children ages 0-5 received Commission-funded services
- 170,221 family members of children ages 0-5 received Commission-funded services
- 1,222,195 services were provided to children
- 786,746 services were provided to family members

During the FY 2011/12 reporting period, there had been a nine-percent reduction in the number of children served due to the AB99 program funding reductions. Due to factors such as the reinvestment of fiscal leveraging reimbursements into current programs, and other one-time funding, there has been an increase in the number of children and family members served during FY 2012/13. During this reporting period, there was a 26 percent increase in the number of children 0 – 5 served, an increase of eight-percent in the number of family members served and an over 10 percent decrease in the number of providers served.

### **Required Certifications**

Each year, First 5 California requests each county commission's Executive Director to certify compliance with Health and Safety Code Section 130140 (Fiscal Memo 10-01) prior to July 1 in order to remain eligible to receive Proposition 10 tobacco tax revenues. This certification was submitted to the First 5 California in May 2013 prior to the prescribed deadline. First 5 California also requests that each county commission certify that Commission funds have been used only to supplement, not supplant, existing program funding for grantees. Commission authorization is requested for the Executive Director to provide the required statement that the Children and Families Commission of Orange County did not use its funding to supplant existing program funds.

### **Comprehensive Annual Financial Report (CAFR)**

Vavrinek, Trine, Day & Co., LLP (Vavrinek) performed an independent annual audit of Commission financial statements for FY 2012/13 that included the expanded audit compliance requirements mandated by AB109/SB35. The auditors conducted their audit work in accordance with all standards applicable to financial audits, including generally accepted auditing standards, standards and procedures issued by the California State Controller's Office, and Government Auditing Standards issued by the Comptroller General of the United States. The *Comprehensive Annual Financial Report for the Year Ended June 30, 2013* is included as Attachment 1.

### **Single Audit Report**

Vavrinek completed a Single Audit Report for FY 2012/13 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, 2013* 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 unmodified (formerly known as an unqualified opinion) on both the *Commission’s Comprehensive Annual Financial Report* and *Single Audit Report for Year End June 30, 2013*. 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, 2013, and the respective changes in financial position thereof and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.”
- b. Auditors’ Report on State Compliance: “In our opinion, the Commission compiled, 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, 2013.
- c. Auditors’ Single Audit Report: “In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.”

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

### **Amendments to FY 2013/14 Approved Operating Budget**

The FY 2013/14 Budget was approved by the Commission in March 2013. Staff analyzed current program allocations and encumbrances and has developed a proposed Amended Annual Operating Budget for FY 2013/14 to include both appropriations made by Commission action after the initial budget adoption in March and previously encumbered contracts recommended to be carried forward into the current year:

- Revenue – Total revenue has been increased by \$4.5 million in the Amended Budget. Actual Proposition 10 revenue for FY 2012/13 was \$27 million or \$900,000 below what was previously forecasted. The original FY 2013/14 Budget assumed a higher year-end actual for FY 2012/13 and projected a decline from that higher base estimated at \$26.9. To align with the lower than expected revenue receipts in the FY 2012/13 year, staff is recommending budgeted revenue be reduced by \$681,116 to \$26.6 million to reflect a three-percent decrease from FY 2012/13 actual receipts. The latest California Department

of Finance release projected a 2.61 percent decline, but assuming a three-percent decline for a more conservative revenue outlook is consistent with past Commission practice.

Also included in the Amended Budget are increases in revenues for federal and state First 5 grants awards. American Recovery and Reinvestment Act (ARRA) Health Research grant revenue was reduced by \$38,056 for the remaining federal award amount available through September 22, 2013 to close the grant. The federal AmeriCorps/VISTA (Volunteers in Service to America) program was increased by \$654,000 to include the most recent federal award along with reimbursements the Commission will receive from other participating counties. This is consistent with the action taken by the Commission in September to renew the AmeriCorps/VISTA Program. First 5 CARES Plus Round 2 and Child Signature Program RFA #3 funds totaling \$4.6 million awarded to the Commission have also been added to the FY 2013/14 budget.

- Program Funding – Program funding has been increased from \$30.1 to \$37 million to account for greater than anticipated carryover funding and program expenses offset by outside revenue sources. This is substantially due to the increase of \$5.35 million in expenses associated with federal and state grants awards, specifically CARES Plus, Child Signature Program, and AmeriCorps/VISTA. Almost \$700,000 of the carryover was transferred to the Community Clinics budget line item for Clinic Demonstration and Clinic Catalytic funding not spent in the prior year. Finally, \$250,000 originally budgeted in FY 2012/13 is now included as carryover in FY 2013/14 for the recently issued Technology Capacity Building Request for Application (RFA).
- Administrative Expenses – Health and 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 (AB109). The Commission’s Budget is prepared in accordance with these guidelines and the adopted policy of a 10 percent limitation on administrative functions related to the operational budget. Commission staff has continued to significantly reduce administrative expenses. The FY 2013/14 amended budget of \$2.54 million for administration includes \$27,000 in carryover of prior-year budgeted not spent before June 30, 2013. Administration costs under the FY 2013/14 amended budget are now 6.94 percent of the total operating budget due to increase in program funding carryover and the new grant awards mentioned above. The initial adopted budget had administrative costs at 8.38 percent of the total operating budget.

### **Year-end Results and Long-Term Financial Plan**

The Commission will consider the updated Long Term Financial Plan at the November meeting. It will include updated year-end financial results and revised revenue forecasts for the planning horizon. At the request of the Commission Chair, an ad-hoc Administrative meeting will be held in October to address updated revenue projections and future-year program funding scenarios. The Long-Term Financial Plan will be updated after the meeting and presented the Commission at the November meeting.

### **Strategic Plan Revisions**

The core elements of the Commission's Strategic Plan were reviewed to assess alignment with priorities and strategies articulated by the Commission at their June Planning Meeting. The summary of the proposed changes were presented at the September meeting and focused on using consistent terminology in all elements, aligning the language with current terms, and concisely stating the Commission's priorities. Also presented in September were proposed Guiding Principles and Organizational Values that were developed to underscore behavioral expectations for all staff in interactions with one another, Commissioners, and external partners. Commission approval of the final proposed language as written in Attachment 6 is recommended. The required annual comprehensive review of the Strategic Plan is scheduled for April 2014.

### **STRATEGIC PLAN AND FISCAL SUMMARY:**

The reports and recommended actions presented in this staff report have been reviewed in relation to the Commission's Strategic Plan and are consistent with applicable goals.

### **PRIOR COMMISSION ACTIONS:**

- April 2013 – Conducted public hearing for annual review of the Strategic Plan
- April 2013 – Conducted public hearing and approved FY 2012/13 Business Plan
- March 2013 – Conducted public hearing on state commission's FY 2011/12 Annual Report

### **RECOMMENDED ACTIONS:**

1. Conduct Public Hearing.
2. Receive the Annual Program Report including Supplemental Report for FY 2012/13 (Attachment 1) and authorize the Executive Director to submit to the First 5 California Commission.
3. Authorize the Executive Director to execute required certifications to the First 5 California Commission and to incorporate non-substantive revisions to the Annual Program Report including Supplemental Report for FY 2012/13 prior to submittal.
4. Receive the Comprehensive Annual Financial Report for Year Ended June 30, 2013, including State Compliance Report, (Attachment 2) and authorize the Executive Director to submit the Annual Financial Audit Reports, along with any supporting materials, to the First 5 California Commission and to the State Controller's Office.
5. Receive the Single Audit Report for the Year Ended June 30, 2013 (Attachment 3) and authorize the Executive Director to submit the Single Audit Report with the audit reporting package to the Federal Audit Clearinghouse.
6. Approve FY 2013-14 Amendments to FY 2013/14 Operating Budget (Attachment 4) and adopt Resolution (Attachment 5) approving the Amended Annual Operating Budget for FY 2013-14.
7. Approve final proposed revisions to the Commission's Strategic Plan (Attachment 6) and adopt Resolution (Attachment 7) approving the revisions to the Strategic Plan.
8. Provide policy direction to staff.

**ATTACHMENTS:**

1. Annual Program Report including Supplemental Report, FY 2012-13
2. Comprehensive Annual Financial Report for Year Ended June 30, 2013
3. Single Audit Report for the Year Ended June 30, 2013
4. FY 2013-14 Amended Budget
5. Resolution approving FY 2013-14 Amended Budget
6. Proposed revisions to the Strategic Plan
7. Resolution approving final proposed revisions to Strategic Plan

**Contacts:** Michael Garcell – Annual Financial Audit and Budget Amendments  
Alyce Mastrianni – Annual Program Report

October 2, 2013 Meeting

Agenda Item No. 7

Attachment 1



**AR1/AR2 Summary Report  
for Fiscal Year 2012-2013 (July 1, 2012 - June 30, 2013)**

**County: Orange**

**Wednesday, September 25, 2013**

Result Area	Service	Status	Total Dollars Spent	Total Number of Children Served	Total Number of Parents/Other Family Members/Providers Served
Improved Family Functioning	Community Resource and Referral	In Progress	\$199,920	0	16,650
Improved Family Functioning	Distribution of Kit for New Parents	In Progress	\$20,000	0	0
Improved Family Functioning	Family Literacy Programs	In Progress	\$914,610	59,338	29,417
Improved Family Functioning	Targeted Intensive Parent Support Services	In Progress	\$3,586,580	1,718	2,049
Improved Child Development	Early Education Programs for Children (Other than School Readiness and Preschool for 3/4 year olds)	In Progress	\$4,313,741	30,105	29,526
Improved Child Health	Nutrition and Fitness	In Progress	\$378,911	2,639	213
Improved Child Health	Health Access	In Progress	\$602,095	668	1,235
Improved Child Health	Home Visitation for Newborns	In Progress	\$5,282,789	16,082	26,599
Improved Child Health	Oral Health	In Progress	\$1,357,733	18,775	9,831
Improved Child Health	Primary Care Services (Immunizations and/or Well Child Checkups)	In Progress	\$3,122,348	20,272	21,978
Improved Child Health	Comprehensive Screening and Assessments	In Progress	\$3,220,894	21,788	44,947
Improved Child Development	Preschool for 3 and 4 Year Olds	In Progress	\$25,000	0	0
Improved Child Development	State School Readiness Programs & Local Match	In Progress	\$0	0	0
Improved Child Development	Early Education Provider Program	In Progress	\$243,304	0	1,090
Improved Child Development	Other Child Development Services	In Progress	\$146,320	0	449
Improved Family Functioning	Other Family Functioning Support Services	In Progress	\$94,602	0	0
Improved Child Health	Targeted Intensive Intervention for Identified Special Needs	In Progress	\$4,274,352	0	105
Improved Child Health	Safety Education and Intentional and Unintentional Injury Prevention	In Progress	\$22,342	0	61
Improved Child Health	Other Health Services	In Progress	\$746,601	40	482
Improved Systems of Care	Service Outreach, Planning, Support and Management	In Progress	\$548,351		
Improved Systems of Care	Provider Capacity Building, Training and Support	In Progress	\$805,231		
Improved Systems of Care	Community Strengthening Efforts	In Progress	\$1,190,521		
<b>TOTAL</b>			<b>\$31,096,245</b>	<b>171,425</b>	<b>184,632</b>



Annual Report Form 1 (AR-1)(Page 1 of 5)  
County Revenue and Expenditure Summary  
for Fiscal Year 2012-2013 (July 1, 2012 - June 30, 2013)

County: Orange

Wednesday, September 25, 2013

Revenue Detail

1. Tobacco Tax Funds	\$	27,024,505
2. CARES Plus Program Funds	\$	217,258
3. CSP, RFA 1	\$	0
4. CSP, RFA 2		0
5. School Readiness Program Funds	\$	0
6. Small County Funds	\$	0
7. Other Funds (Specify Source Below)	\$	329,768
SMIF		
VISTA member county reimbursements		
Misc		
8. Grants (Specify Source Below)	\$	603,957
AmeriCorps VISTA		
ARRA Health Research		
MAA		
9. Donations	\$	0
10. Revenue from Interest Earned	\$	122,358
11. <b>Total Revenue</b>	\$	<b>28,297,846</b>

Results and Services - Expenditure Details

Result 1: Improved Family Functioning (Family Support, Education and Services)

12. Behavioral, Substance Abuse and Other Mental Health Services	\$	0
13. Adult Education and Literacy for Parents	\$	0
14. Community Resource and Referral	\$	199,920
15. Distribution of Kit for New Parents	\$	20,000



Annual Report Form 1 (AR-1)(Page 2 of 5)  
County Revenue and Expenditure Summary  
for Fiscal Year 2012-2013 (July 1, 2012 - June 30, 2013)

County: Orange

Wednesday, September 25, 2013

16. Family Literacy Programs	\$	914,610
17. Provision of Basic Family Needs (Food, Clothing, Housing)	\$	0
18. Targeted Intensive Parent Support Services	\$	3,586,580
19. General Parenting Education Programs	\$	0
20. Other Family Functioning Support Services (please describe below)	\$	94,602
<input type="text"/>		
21. <b>Total</b>	\$	<b>4,815,712</b>

**Result 2: Improved Child Development (Child Development Services)**

22. Preschool for 3 and 4 Year Olds	\$	25,000
23. State School Readiness	\$	0
24. Comprehensive Screening and Assessments	\$	0
25. Targeted Intensive Intervention for Children Identified with Special Needs	\$	0
26. Early Education Programs for Children (Other than SR and Preschool for 3 & 4 Year Olds)	\$	4,313,741
27. Early Education Provider Programs	\$	243,304
28. Kindergarten Transition Services	\$	0
29. Other Child Development Services (please describe below)	\$	146,320
<input type="text"/>		
30. <b>Total</b>	\$	<b>4,728,365</b>



Annual Report Form 1 (AR-1)(Page 3 of 5)  
County Revenue and Expenditure Summary  
for Fiscal Year 2012-2013 (July 1, 2012 - June 30, 2013)

County: Orange

Wednesday, September 25, 2013

**Result 3: Improved Health (Health Education and Services)**

31. Breastfeeding Assistance	\$	0
32. Nutrition and Fitness	\$	378,911
33. Other Health Education	\$	0
34. Health Access	\$	602,095
35. Home Visitation for Newborns	\$	5,282,789
36. Oral Health	\$	1,357,733
37. Prenatal Care	\$	0
38. Primary Care Services (Immunizations, Well Child Checkups)	\$	3,122,348
39. Comprehensive Screening and Assessments	\$	3,220,894
40. Targeted Intensive Intervention for Children Identified with Special Needs	\$	4,274,352
41. Safety Education and Intentional and Unintentional Injury Prevention	\$	22,342
42. Specialty Medical Services	\$	0
43. Tobacco Cessation Education and Treatment	\$	0
44. Other Health Services (please describe below)	\$	746,601
<input type="text"/>		
45. <b>Total</b>	\$	<b>19,008,065</b>

**Result 4: Improved Systems of Care**

46. Service Outreach, Planning, Support and Management	\$	548,351
47. Provider Capacity Building, Training and Support	\$	805,231
48. Community Strengthening Efforts	\$	1,190,521
49. <b>Total</b>	\$	<b>2,544,103</b>



Annual Report Form 1 (AR-1)(Page 4 of 5)  
County Revenue and Expenditure Summary  
for Fiscal Year 2012-2013 (July 1, 2012 - June 30, 2013)

County: Orange

Wednesday, September 25, 2013

**Expenditure Detail**

50. FY 2012-2013 Program Expenditures	\$	31,096,245
51. FY 2012-2013 Administrative Expenditures	\$	3,059,550
52. FY 2012-2013 Evaluation Expenditures	\$	894,496
53. <b>Total Expenditures</b>	\$	<b>35,050,291</b>
54. <b>Excess (Deficiency) Of Revenues Over (Under) Expenses</b>	\$	<b>-6,752,445</b>

**Other Financing Sources**

55. Sale(s) of Capital Assets	\$	0
56. Other: Specify Source Below	\$	0
<input type="text"/>		
57. <b>Total Other Financing Sources</b>	\$	<b>0</b>

**Net Change in Fund Balance**

58. Fund Balance - Beginning, July 1, 2012	\$	78,716,844
59. Fund Balance - Ending, June 30, -2013	\$	71,964,399
60. <b>Net Change In Fund Balance</b>	\$	<b>-6,752,445</b>

**FY 2012-2013 Fund Balance**

61. Non Spendable	\$	243,435
62. Restricted	\$	0
63. Committed	\$	50,370,698
64. Assigned	\$	21,350,266
65. Unassigned	\$	0
66. <b>Total Fund Balance</b>	\$	<b>71,964,399</b>



**Annual Report Form 1 (AR-1)(Page 5 of 5)  
County Revenue and Expenditure Summary  
for Fiscal Year 2012-2013 (July 1, 2012 - June 30, 2013)**

**County: Orange**

**Wednesday, September 25, 2013**

**Expenditure Notes: Please use this space to document any issues with the information provided on this spreadsheet and to explain any significant variances from prior year's expenses that is not related to revenue growth. Please identify if any line includes significant capital expenditures. If yes, identify the line and the capital amount included.**

I hereby certify the information submitted herein is accurate and complete to the best of my knowledge. I further certify that I have the authority to submit this information. I make these certifications via my name, phone number and e-mail address entered below. I acknowledge that the data in this submission may be subject to verification at a later date.

Name

Phone

Email

**Supplement to Orange County's Annual Report to the State  
July 2012 – June 2013**

During Fiscal Year 2012-2013 (FY 12/13), the Children and Families Commission of Orange County (Commission) funded 92 organizations to implement 161 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 goal area and funding subcategory. For each funding subcategory, the following data are provided along with the data source(s):

<b>Data</b>	<b>Data Source(s)</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	<ul style="list-style-type: none"> <li>• GEMS and Bridges Connect System data for Children 0-5 Client Level Data on children receiving intensive services and whose parents consent to data collection</li> </ul>
Age breakouts of children with client level data	
Ethnicity of children with client level data	
Primary Language of children with client level data	
Poverty level of children with client level data	
Numbers of different types of services provided to children, family members, and service providers	<ul style="list-style-type: none"> <li>• GEMS Group/Aggregate Services Module</li> </ul>
Key Service Outcomes	<ul style="list-style-type: none"> <li>• Service Outcome Questionnaires (SOQs) in GEMS and Bridges Connect</li> </ul>

The Table of Contents on the following page contains a list of the Commission goal areas and funding subcategories presented in this report with the page numbers where their data can be found. A list of acronyms used throughout this report is also provided on the following page.

## Table of Contents

Commission Goal Area	Funding Subcategory	Page
<b>All</b>	Commission-Wide Data	4
<b>Healthy Children</b>	Bridges Maternal Child Health Network	10
	Community Clinics	15
	Health Access and Education	18
	Children’s Dental	20
	Pediatric Health Services	22
	School Readiness Nursing	26
	Nutrition and Fitness	30
<b>Strong Families</b>	Homeless Prevention	32
	Family Support Services	35
<b>Ready to Learn</b>	Early Learning Specialist	39
	Early Literacy	43
	CARES Plus and Child Signature Programs	45
	Other Early Learning Programs	47
<b>Capacity Building</b>	Capacity Building / AmeriCorps/VISTA	52
	Performance Outcomes Measurement System	55

### **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	CHOC Children’s, 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 in each county to establish its own Commission. On December 15, 1998, the Orange County Board of Supervisors adopted County Ordinance No. 98-18, creating the Children and Families Commission of Orange County.

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 outlined the Commission's goals, outcomes, indicators and objectives, and guides its funding decisions. In May 2006, the Commission adopted an update to the Strategic Plan, highlighting linkages between the Strategic Plan and other planning efforts and expanded program-specific measures to better reflect the diverse services the Commission funds. 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.

In FY 12/13, the Commission implemented a standardized set of funded services to address each of the Commission's targeted outcomes and objectives. The "Services Provided by" tables in this report detail the services provided for each subcategory and include 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 these 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 (numbers completed). 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. In most cases, only the number of new clients (i.e., Children 0-5, Family Members, and Service 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.

In FY 12/13, there were 171,426 new Children 0-5, 170,221 new Family Member and 14,411 new Service Providers served by Commission-Funded programs. The Children 0-5 received over 1.2 million services, while their Family Members received almost 800,000 services (see Table 1). Almost 25,000 services were provided to Service Providers during FY 12/13. There was a 26% increase in the number of Children 0-5 and 8% in the number of Family Members served from FY 11/12 to FY 12/13. During the same time, there was a 10% decrease in the

number of Providers served. In terms of the of services, there was a 6.7% increase in the number of services provided to Children 0-5 and 4.0% in the number of services provided to Family Members. There was, however, a 45.7% decrease in the number of services to Providers from FY 11/12 to FY 12/13.

### Commission-Wide Data

**Table 1. Aggregate Data for all Commission-Funded Programs**

	Children Ages 0-5	Family Members	Service Providers
<b>Number of people receiving services*</b>	171,426	170,221	14,411
<b>Number of services provided</b>	1,222,195	786,746	24,536

\* 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 12/13 Based on Client Level Data**

Variable Considered	Category Label	Count <sup>2</sup>	Percent
Total number of children with client-level data		10,071	100
Age at most recent interview	Two or Younger	4,803	66.4
	Three through Five	2,427	33.6
Ethnicity	Amer. Indian/Alaska Native	4	0.1
	Asian or Pacific Islander	271	3.9
	Black/African American	70	1.0
	Hispanic/Latino	5,439	79.1
	Pacific Islander	31	0.5
	White	498	7.2
	Multiracial	340	4.9
	Other	116	1.7
Primary Language	Unknown	110	1.6
	English	5,586	46.0
	Spanish	5,558	45.7
	Vietnamese	84	1.9
At or Below 200% Federal Poverty Level	Other	780	6.4
		5,388	93.3

<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.

<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**

<b>Strategic Plan Outcome</b>	<b>Service</b>	<b>Clients Served</b>	<b>Number of Services</b>
HC.1 Children are born healthy	Prenatal care visits	1,134	14,200
	Case management meetings/home visits to support prenatal care	744	2,905
	Classes to support healthy pregnancy	361	85
	Pregnant women receive support for healthy pregnancy and early childhood health	9,515	9,527
	Home visits/case management conducted with expectant mothers with a history of ATOD abuse	81	536
	Classes for at-risk for ATOD	356	54
	Home visits/case management meetings conducted with parents with a history of ATOD abuse	63	364
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	153	153
	Providers educated on child development, recognizing key milestones, and the importance of screening and/or assessment	3,242	3,713
	Providers receive informational materials regarding developmental milestones and development	392	392
	Children receive developmental screening using AAP recommended tools (e.g. PEDS, ASQ)	25,733	54,712
	Parents receive education, resources, referrals, and support regarding their child's development	10,138	17,687
	Parents receive referrals regarding their child's health and developmental concerns	5,393	6,330
	Parents are linked to referred services for their child's health and developmental concerns	2,476	2,651
	Parents receive informational materials regarding developmental milestones and development	20,520	20,849
	Children receive vision screening	10,316	11,768
	Children receive hearing screening	9,824	10,267
	Children receive body composition and stature screening (height, weight, Body Mass Index)	9,810	9,921
	Children receive health status screening (e.g., asthma, allergies, etc.)	13,068	13,224
	Children receive behavior health screening using Commission-approved tool	1,129	1,129
	Children receive comprehensive screening (Includes: vision, hearing, height, weight, health, and developmental milestones using PEDS or ASQ)	9,868	10,024
Children receive assessment (e.g., vision, hearing, speech/language, psychosocial issues, motor skills, health, special needs, and/or parent-child functioning)	831	9,033	

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

<b>Strategic Plan Outcome</b>	<b>Service</b>	<b>Clients Served</b>	<b>Number of Services</b>
HC.3 Children have and use a regular place for medical and dental care	Children are assisted, linked with their health insurance enrollment	5,205	8,551
	Children are linked to a health care home	5,958	7,502
	Children receive primary care services/visits, including well child and sick visits	22,361	83,016
	Children are linked to a dental home	2,718	2,764
	Children receive a dental screening	17,422	17,783
	Children receive preventative dental treatment (e.g., cleaning, sealant)	10,825	14,011
	Children receive restorative dental treatment (e.g., carries)	735	3,004
	Children receive emergency dental treatment (e.g., abscess)	40	176
	Children with special needs receive dental care	767	1,251
	Parents receive training on oral health	11,828	13,539
	Children receive oral health education	15,550	16,000
	Providers receive oral health education	694	777
HC.4 Children grow up healthy	Mothers receive breastfeeding education, intervention and support	15,997	16,337
	Children enrolled in multi-disciplinary weight loss and/or physical activities program	243	683
	Children receive nutrition and physical activity education	2,397	2,662
	Children screened for up to date immunizations	21,535	49,742
	Children receive specialty care clinic visits	974	2,514
	Parents receive home visits focused on ongoing medical surveillance and linkage to appropriate referrals	82	620
	Parents receive specialty care education, resources, referrals, and support	7,445	11,034
	Providers receive specialty care education	192	150
SF.1 Families are stably housed	Children receive emergency or transitional shelter (bed nights)	623	57,302
	Family members emergency or transitional shelter (bed nights)	955	84,995
	Parents receive job skills training	236	971
	Parents receive life skills training sessions	342	5,955
	Parents receive case management services	725	5,678
SF.2 Children are safe and well cared for	Parents receive home safety checks	2,285	2,767
	Parents receive training about preventable injuries and deaths	420	539
	Parents receive information and materials regarding preventable injuries	214	215
	Parents participate in parenting education classes on healthy child development	18,173	6,762
	Home visits to improve parent knowledge of healthy child development	3,846	23,275

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

<b>Strategic Plan Outcome</b>	<b>Service</b>	<b>Clients Served</b>	<b>Number of Services</b>
	Office visits to improve parent knowledge of healthy child development	9,966	12,898
	Children receive health education classes	8,575	1,716
	Providers receive consultations to improve provider knowledge of healthy child development	615	627
SF.3 Caregivers have ready access to family support services and resources	Kits for New Parents distributed	22,435	22,435
	Mothers are screened with the Bridges Screening Tool	13,496	13,496
	Parents receive referrals to services	26,071	31,993
	Providers receive referrals to services	2,917	2,872
	Parents receive referrals to MCHN programs	2,512	2,512
	Parents receive referrals to non-MCHN programs	2,719	2,872
	Parents receive follow up on referrals and services are accessed	15,168	26,226
SF.4 Families have resources to support the management and treatment their child's behavioral health needs	Children receive behavioral health treatment services	550	4,048
	Providers are educated to increase awareness and identification of behavioral health issues	760	1,365
	Providers receive training on behavioral health treatment services for children 0-5	166	19
	Parents receive education, resources, referrals, and support regarding their child's behavioral health issues	247	1,244
	Parents receive behavioral health screening	588	588
EL.1 Children have the developmental skills* to be proficient learners in school	Children read to at physician's offices or clinics	29,898	33,204
	Parents participate in a program designed to increase the frequency of reading at home	10,998	362,019
	Children participate in a program designed to increase the frequency of reading at home	40,654	403,321
	Parents receive literacy information/assistance in waiting rooms or community events	28,589	32,179
*Early literacy/ numeracy, self-regulation, social expression, and self-care and motor skills	Provider will recruit and support pediatrician offices to participate in Reach Out Read National Program	5	6
	Books distributed to children	5,709	173,182
	New and used books collected for distribution	784	146,946
	Children participating in early math programs	7,223	476,657
	Parents receive speech and language services	1,402	476,657
	Children receive speech and language services	1,408	4,358
	Providers receive training on speech and language services	26	26
	Providers will conduct classroom assessments using an established tool such as ECERS or ELLCO	361	416

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

<b>Strategic Plan Outcome</b>	<b>Service</b>	<b>Clients Served</b>	<b>Number of Services</b>
	Providers are given resources and early intervention strategies for appropriate early care	1,884	5,953
	Providers receive CARES Plus Trainings	859	989
	Children receive center-based early care and education services other than preschool	906	37,033
	Children receive comprehensive Commission-funded preschool services	412	60,444
	Children receive enhanced school readiness services through other preschool programs	380	4,306
	Parents participate in a drop-in, family-focused early learning program (i.e., Learning Link)	3,823	47,153
	Children participate in a drop-in, family-focused early learning program (i.e., Learning Link)	3,194	49,630
EL.2 Schools are ready for children when they enter kindergarten	Children visit Kindergarten classrooms prior to start of school year	6,776	6,701
	Children's health and development records are transferred to their elementary school prior to entering kindergarten	7,131	7,790
	Children's records are entered into the computerized district system prior to entering kindergarten	2,088	2,880
EL.3 Parents have the supports that contribute to children's readiness for school success	Parents receive tools, resources, information and/or training needed to transition their child to school	17,488	70,312
CB.1 Increase sustainability	Number of volunteers recruited	1,807	1,871
CB.2 Increase access and efficiency, quality and effectiveness	Children with special needs served	7,804	8,829
	Providers receive trainings to build the capacity of the agency to increase quality services	1,709	637
	Parents receive transportation to health or social services	817	2,155
	Children 0-5 receive transportation to health or social services	396	823
	Children 0-5 received specialized child care	316	379

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

<b>Key Strategic Plan Objectives</b>	<b>SOQ Results</b>
<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>• 95.9% 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>• 99.4% of children had a health home at the end of services (compared to 96.9% 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>• 97.9% of children served had health insurance at the end of services (compared to 95.4% 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>• 56.7% of children received all recommended well child visits or health screenings (compared to 68% in FY 11/12)</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>• 95.1% of children received all age appropriate immunizations at the end of services (compared to 71.0% 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>• 95.6% of children had no cavities at the end of services (compared to 52.5% at the beginning of services)</li> </ul>
<ul style="list-style-type: none"> <li>• Double the number of children (50%) who are screened using a formal screening tool and, when necessary, assessed for developmental milestones, including cognitive, vision, hearing, speech, and language, psychosocial issues, and other special needs, and receive appropriate services</li> </ul>	<ul style="list-style-type: none"> <li>• 89.0% of children referred for an assessment went to a practitioner for the problem</li> </ul>
<b>Strong Families</b>	
<ul style="list-style-type: none"> <li>• Reduce the number of children who are homeless to zero</li> </ul>	<ul style="list-style-type: none"> <li>• 42.0% of children were stably housed at the end of services (compared to 26.4% at beginning of services)</li> </ul>
<ul style="list-style-type: none"> <li>• Reduce the number of children who are homeless to zero</li> </ul>	<ul style="list-style-type: none"> <li>• 39.3% of children had a regular childcare arrangement at the end of services</li> </ul>
<b>Early Learning</b>	
<ul style="list-style-type: none"> <li>• Increase parents' knowledge and involvement in preparing children for school</li> </ul>	<ul style="list-style-type: none"> <li>• Parents who taught their children letters, numbers, or words at least three times in the prior week increased from 62.0% to 71.4% at the end of services</li> </ul>

\*\*\*\*\*

The remainder of this report documents the Commission's specific goal areas and funding subcategories—beginning with Healthy Children. The Healthy Children goal area consists of seven funding subcategories:

- Bridges Maternal Child Health Network
- Community Clinics
- Health Access and Education
- Children's Dental
- Pediatric Health Services
- School Readiness Nursing
- Nutrition and Fitness



# 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, 2013

  
[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, 2013

*Prepared by:*

**Michael Garcell, CPA**

**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, 2013

**Michael Garcell, CPA**

**Finance Manager**

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
FOR THE YEAR ENDED JUNE 30, 2013**

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October 2, 2013

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, 2013, are free of material misstatement. The independent certified public accounting firm has issued an unmodified ("clean") opinion on the Commission's financial statements as of and for the year ended June 30, 2013. The independent auditors' 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. Since inception, the Commission has made a lasting positive impact in Orange County through its expenditures of approximately \$616 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 2013 to address current economic issues, emerging program needs, and future demand on Commission resources. The revised Long-Term Financial Plan includes one-time catalytic funding investments focused on key Commission priorities. The goal of catalytic funding is to reduce or eliminate future ongoing support for several major programs. First round catalytic investments totaling \$45 million were made to support Autism/Early Developmental programs, Children's Dental, Emergency Shelters, Early Literacy & Math, Healthy Child Development, and VISTA program transition. Round two catalytic funding priorities consist of investments in Partnerships for Children's Health, Prevention Program Planning, Nutrition and Fitness, Vision Screening and Capacity Building. Staff will continue to monitor and report on the total \$55 million catalytic allocation as expenses are realized.

The FY 2013-2014 Operating Budget, presented in April 2013, includes the funding actions taken earlier this year to fund catalytic programs and renew funding for core programs that support the four goal areas. The step-down approach continues to be embedded in the approved Long-Term Financial Plan, and assumes a reduction of base budget program spending from \$30 million to \$27.6 million in FY 2013/14 and \$25.1 million in FY 2014/15. The budget plan continues the reduction of program spending gradually, depending on actual revenue, to bring the total budget in line with the forecasted revenue and a reduction in fund balance not already allocated to Catalytic funding.

### Strategic Plan

Although changes in the long-term funding plan were made, the Commission will continue to utilize the Strategic Plan adopted in April 2013 for fiscal year 2013-2014 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 2014.

## **Other Financial Information**

### Internal Control

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

### Budgetary Control

The objective of budgetary control is to ensure that spending is limited to the total amount authorized by the Board of Commissioners. The initial budget for fiscal year 2012-2013 was adopted on April 4, 2012 with subsequent adjustments approved in November 7, 2012 and April 3, 2013. The Executive Director has the discretion to adjust the budget as defined within the budget policy of the Board of Commissioners. Monthly financial highlights are provided to the Board of Commissioners.

### Risk Management

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

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the third 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,



Christina Altmayer  
Executive Director

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
BOARD OF COMMISSIONERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**BOARD MEMBERS (9)**

---

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

Kimberly Cripe (A)  
Vice Chair

Sandra Barry (A)  
Chair Pro-tem

Katherine Ahn, DDS (A)

Hugh Hewitt (A)

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

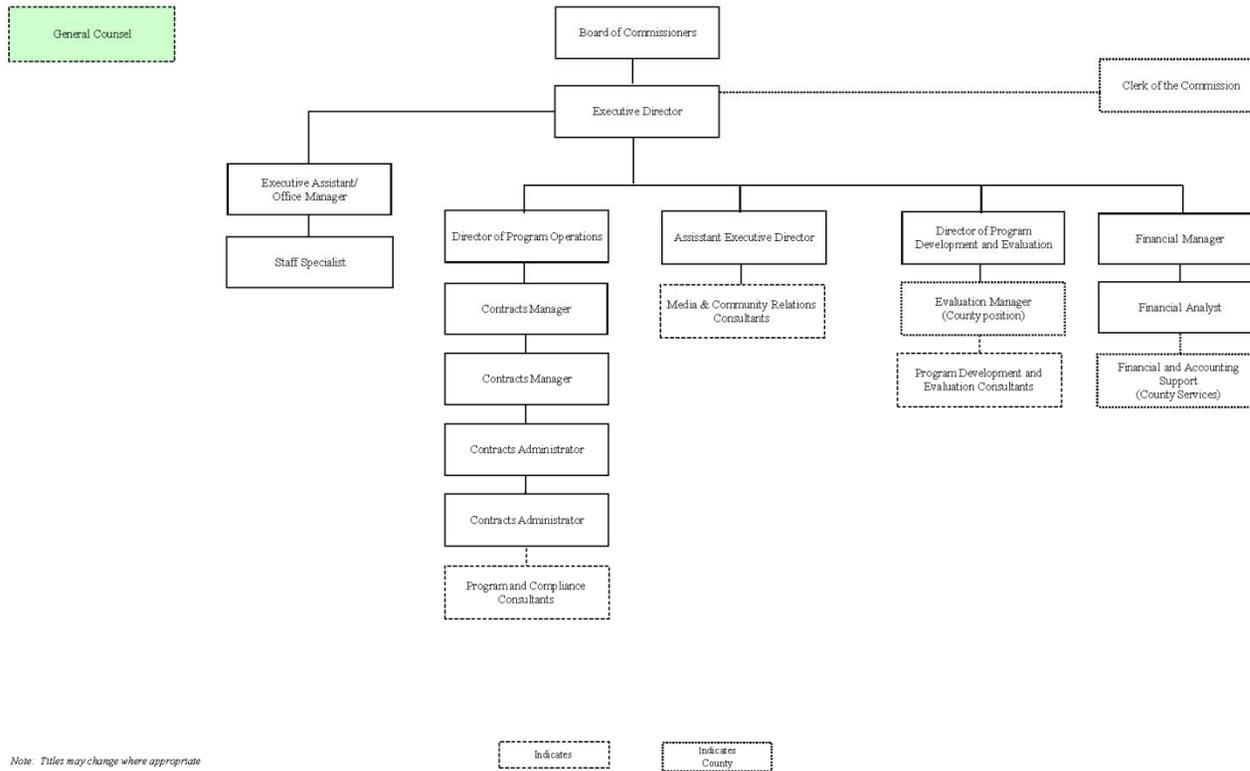
Janet Nguyen (M)  
Board of Supervisors

Sandra Pierce (A)

Mark Refowitz (M)  
Health Care Agency

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
ORGANIZATION CHART  
FISCAL YEAR 2012-2013**





**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 April 1, 2013



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Introductory Section, Schedule of First 5 California Funding (Schedule), and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

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

Laguna Hills, California  
September 27, 2013

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

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, 2013. 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 \$72 million at the end of the current fiscal year, a decrease of \$6.57 million (8.3%) from the prior fiscal year. The decrease is due to Round 1 and 2 Catalytic expenditures above the Commission's annual program budget.
- As of June 30, 2013, the Commission's governmental fund statements reported an ending fund balance totaling \$72 million, a decrease of \$6.75 million (8.6%) from the prior fiscal year.
- The total ending fund balance of \$72 million was classified into three categories. The Commission's breakdown is as follows: \$5.62 million as non-spendable, \$49.99 million as committed, \$21.35 as assigned.

**Overview of the Financial Statements**

This comprehensive annual financial report consists of two parts, this management's discussion and analysis and the basic financial statements, including government-wide financial statements, governmental fund financial statements and notes to the basic financial statements. The Commission's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about the activities during the reporting period.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances and activities. These statements are prepared using the full accrual basis of accounting and a total economic resource measurement focus, in order to provide both long-term and short-term information about the Commission's overall financial status. A detailed definition of these methods is described in Note 1 of the basic financial statements.

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

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

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

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

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

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

**Analysis of the Commission's Government-wide Financial Statements**

**Net Position.** Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, net position was \$72.41 million at the end of the current fiscal year, an 8% decrease from the prior fiscal year. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2013 and June 30, 2012.

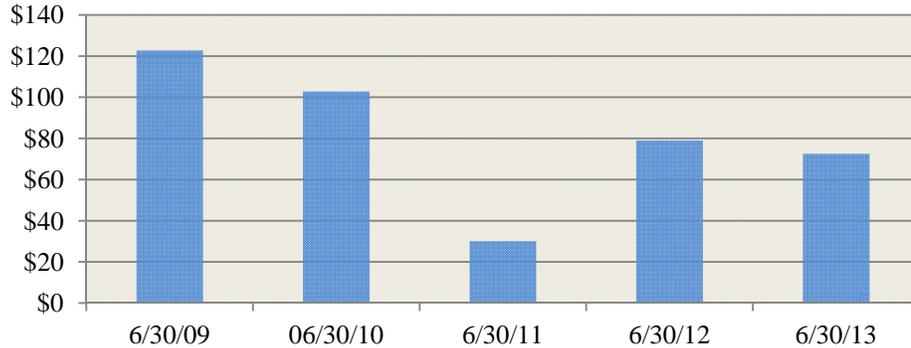
**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

The Commission's net position as of June 30, 2013 is considered unrestricted because their use is not for a purpose narrower than the purpose of the Commission and were comprised of the following:

	<b>FY 2012-13</b>	<b>FY 2011-12</b>	<b>Percent Increase (Decrease)</b>
<b>Assets:</b>			
Cash and investments	\$69,280,830	\$83,017,827	-17%
Imprest cash	15,000	15,000	-
Interest receivable	19,931	71,795	-72%
Deposit with others	5,380,606	93,625	+5,647%
Due from County of Orange	881	3,738	-76%
Due from other governments	5,836,164	6,151,327	-5%
Prepaid expense	243,435	65,657	+271%
Total assets	\$80,776,847	\$89,419,968	-10%
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$2,847,704	\$3,862,837	-26%
Due to County of Orange	9,593	77,574	-88%
Due to other governments	3,673,252	3,898,071	-6%
Retentions payable	1,634,093	2,384,936	-31%
Accrued wages and benefits	70,254	76,718	-8%
Compensated absences:			
Payable within one year	77,336	87,838	-12%
Payable after one year	53,482	46,509	15%
Total liabilities	8,365,714	10,434,483	-20%
<b>Net Position:</b>			
Unrestricted	72,411,134	78,985,485	-8%
Total net position	\$72,411,134	\$78,985,485	

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

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

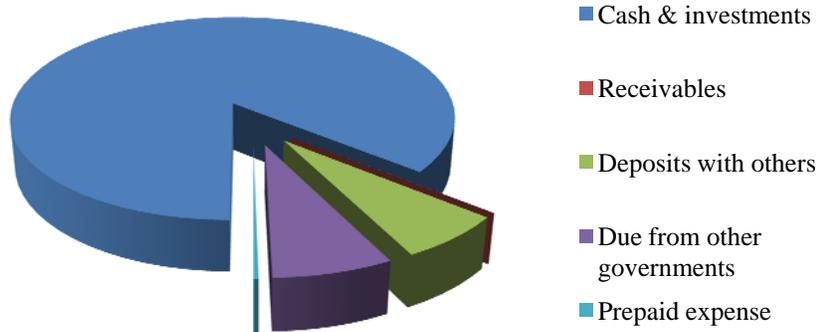


Assets, Current and Other

- Cash and investments totaled \$69.3 million. All of the \$69.3 million was invested in the Orange County Investment Pool (OCIP), except for a small petty cash fund held at the Commission. The investments in OCIP are managed by the County Treasurer and reviewed for compliance with the Commission's Annual Investment Policy.
- Due from other governments totaled \$5.8 million. Of this amount, \$4.9 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2013 allocations.
- Deposits with others totaling \$5.4 million represents funds advanced or transferred to contractors for services not provided by June 30, 2013. The large increase in this account is due to funds transferred for Round 1 and 2 Catalytic programs.
- Other current assets totaling \$0.26 million consisting of \$0.02 million in interest receivable and \$0.24 million in prepaid expense.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

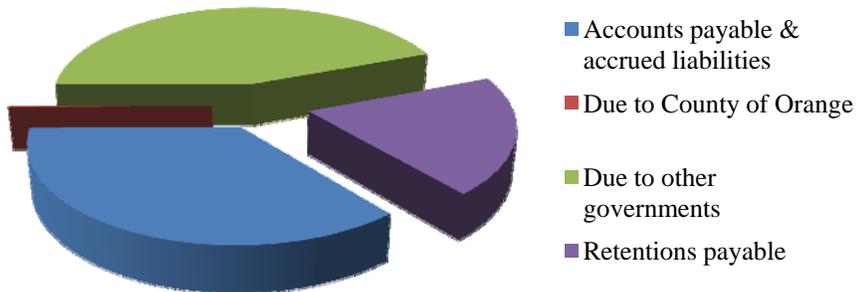
**Assets  
As of June 30, 2013**



Liabilities

- Accounts payable and accrued expenses and due to other governments totaled \$6.5 million. Payables to grantees for services not yet billed at June 30, 2013 are based on established contract terms. The accounts payable decrease is due to more timely billing by contractors and lower program spending.
- Retentions payable totaled \$1.6 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.
- Other current liabilities totaling \$0.2 million consisting of amounts due to the County of Orange and accrued wages and benefits.

**Liabilities  
As of June 30, 2013**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**Changes in Net Position.** For the year ended June 30, 2013, current year operations decreased the Commission's net position by \$6.57 million. The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

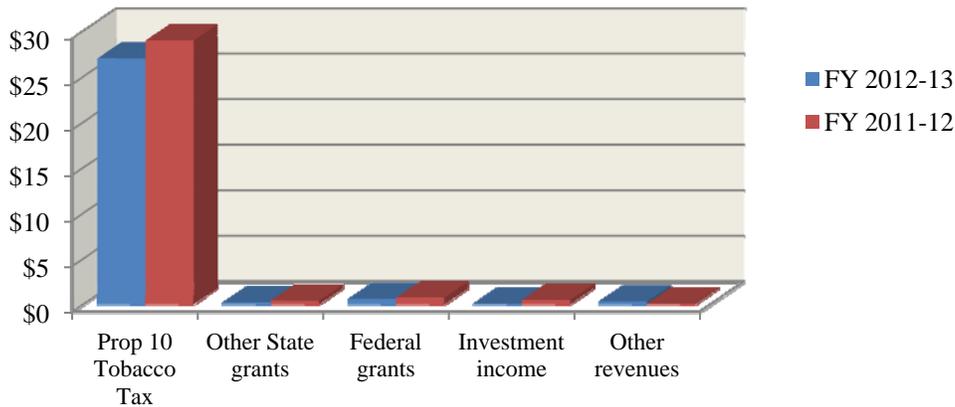
	<u>FY 2012-13</u>	<u>FY 2011-12</u>	<u>Percent Increase (Decrease)</u>
<b>Revenues:</b>			
<b>Program Revenues</b>			
Tobacco taxes	\$27,024,505	\$28,988,350	-6.77%
Other State operating grants and contributions	327,675	435,487	-24.76%
Interest income earned on tobacco taxes at the	9,588	11,612	-17.43%
Federal operating grants and other	828,941	768,246	7.90%
Total program revenues	<u>28,190,709</u>	<u>30,203,695</u>	-6.66%
<b>General Revenues</b>			
Investment income	122,358	481,976	-74.61%
Other revenues	159,344	90,786	75.52%
Total general revenues	<u>281,702</u>	<u>572,762</u>	-50.82%
Total revenues	<u>28,472,411</u>	<u>30,775,457</u>	-7.49%
<b>Expenses:</b>			
0-5 Child development programs	33,341,947	31,155,315	7.02%
Salaries and benefits	1,704,815	2,068,926	-17.60%
Total expenses	<u>35,046,762</u>	<u>33,224,241</u>	5.49%
Extraordinary item: Reversal of AB99 liability	<u>0</u>	<u>51,369,439</u>	-100%
<b>Change in net position:</b>	(6,574,351)	48,921,655	
Net position – July 1	<u>78,985,485</u>	<u>30,063,830</u>	
Net position – June 30	<u>\$72,411,134</u>	<u>\$78,985,485</u>	-8.32%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

Total revenues

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

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



- *Program revenues*

The Commission's program revenues totaled \$28.2 million in FY 2012-13 and accounted for 98.4% of total revenues. This represented a decrease of \$2.1 million (-6.6%) from FY 2011-12 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 \$1.96 million (-6.77%) 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.
- Other State operating grants and contributions includes revenue from the state-wide CARES Plus grant and Child Signature Program. The Commission applied for and was awarded these grants for FY 2012-13 and therefore, the revenue decreased by \$108 thousand (24.76%) from the prior fiscal year. A portion of the revenues were deferred for FY 2012-13 as they were not available to the Commission by June 30, 2013. The revenue will be recognized in FY 2013-14.
- Federal operating grants includes revenues from federal grant programs of VISTA, MAA (Medical Administrative Activities), and ARRA Health Research grant. These revenues increased by \$0.06 million (7.90%). This increase is due to slightly higher reimbursable claims though MAA and slightly higher VISTA program reimbursements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

*General revenues*

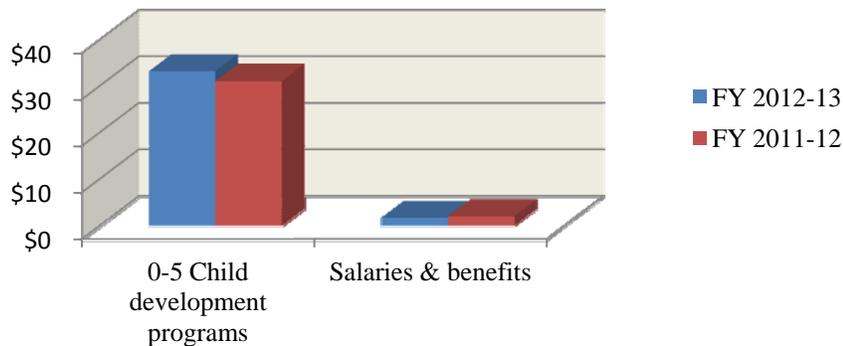
The Commission's general revenues totaled \$282 thousand in FY 2012-13 and accounted for 1% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenues.

- Investment income, decreased by \$0.36 million (75%) 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 as well as a negative fair value adjustment posted for the Commission's proportionate share in the county investment pool at year end.

Governmental Activities Expenses

Total expenses increased by \$1.8 million (5.5%) from the prior fiscal year. The increase is due to Catalytic Round 1 and 2 program funding. \$4.6 million in Catalytic funding was expensed during the fiscal year. FY 2012-13 was the first year for Round 1 and 2 Catalytic funding. Other zero-to-five child development programs totaling \$28.7 million decreased by \$2.4 million or 7.8%.

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



- Zero-to-five child development programs decreased by \$2.2 million (7.02%) from the prior fiscal year to fund programs serving children and families within the Commission's four strategic goal areas of Healthy Children, Ready to Learn, Strong Families and Capacity Building. Reduced program spending is a component of the Commission's long-term financial plan. Prop 10 tobacco tax revenue has been and will continue as a declining revenues source. To focus on sustainability and service delivery while allowing for decreased revenue, the long-term financial plan incorporates a step-down approach to annual program funding over the next ten years. Two specific program areas that account for a significant portion of reduced spending in FY 2012-13 were Children's Dental and Early Literacy. Both of these program areas received Catalytic funding which offset ongoing program funding.
- Salaries and benefits decreased by \$0.39 million (18%) from the prior fiscal year due to eliminated staff positions resulting in salary savings which were slightly offset by increases in retirement and benefit costs in the current fiscal year.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**Analysis of the Commission’s Governmental Fund Statements**

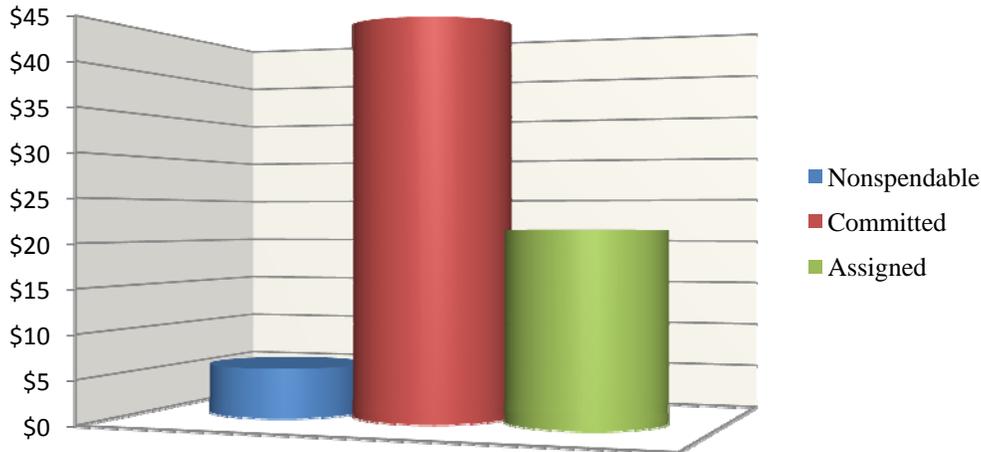
As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The child development 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 \$71.9 million, a decrease of \$6.8 million (8.6%) in comparison with the prior fiscal year.

Total fund balance decreased due to the initial distributions of Catalytic funding in the amount of \$4.6 million. The remaining decrease of \$2.2 million was fund balance used to bridge the gap between current year revenue and expenditures as planned for in the Commission’s financial plan.

**Fund Balance Classifications  
As of June 30, 2013  
(\$ in millions)**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**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 increased by \$1.85 million in the Prop 10 tobacco tax revenue line item. The increase was based on a higher projection of tobacco tax distributions by the California Department of Finance and the establishment of budgeted revenues for CARES Plus, VISTA and ARRA Health Research grants.
  - Tobacco tax revenues – increase of \$1.2 million based on prior-year receipts. FY 2011-12 revenue actually increased from the prior-year. Budgeted tobacco tax revenues were adjusted to reflect a 3.5% decline from the higher FY 2011-12 tobacco tax revenue receipts.
  - Other program revenues – increase of \$.65 million was due to First 5 California, federal grant revenues, and partner reimbursements to be received through program grants.
- Total budgeted appropriations were increased by \$1.8 million in the 0-5 child development program expenditures line item. The major components of the increase are summarized as follows:
  - Healthy Children – increase of \$1.37 million mostly for the carryover of prior year unspent funds in Community Clinics and Pediatric Health Services programs.
  - Strong Families – increase of \$0.3 million for the carryover over of prior year unspent funds in Homeless Prevention programs.
  - Early Learning - decrease of \$0.4 million of funding set-aside in Early Literacy programs.
  - Capacity Building – increase of \$0.54 million comprised of \$0.13 million of carryover of prior year unspent funds in Capacity Building Grants and \$0.41 million in new appropriations to VISTA for reimbursable expense through the federal grant award.

**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 2012-13 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were less than budgeted revenues in FY 2012-13 by \$1.27 million. A decrease in actual Prop 10 tobacco tax revenues of 6.77% from the prior year was most of the variance.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

- Total budgeted appropriations exceeded actual expenditures in FY 2012-13 by \$48.4 million largely due to the timing of Catalytic program implementations and funding.
  - 0-5 child development program expenditures were less than budgeted appropriations by \$4.27 million. The variance is due to an accumulation of various program under-spending and the timing of program cost recognition. Budgeted funding amounts for programs delayed or extended will be carried over into the following year's budget.
  - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.06 million due to savings from eliminated positions during the current fiscal year.
  - Catalytic expenditures were \$4.6 million compared to the final budget of \$48.7 million. FY2012-13 was the first year Round 1 and 2 catalytic funds were disbursed. A total funding amount of \$55 million was approved by the Commission as detailed below. Expenditures will be recognized as services are provided and deliverables met for each separate Catalytic program. At budget adoption, the timing of fund distributions and expense recognition were not known. Each Catalytic program has a unique scope and budget. Final payment terms are included in the contracts approved by the Commission for each Catalytic program. The remaining \$50.4 million in Catalytic funding will be carried forward into future year budgets as defined in the related Catalytic contract payment and deliverable schedules.

Commission Catalytic funding

Round 1:

Children's Dental Programs	\$20,000,000
Early Developmental Services / Autism Program	7,000,000
Year Around Emergency Shelter	7,000,000
Early Literacy and Math	5,000,000
Healthy Child Development	5,500,000
VISTA/AmeriCorps transition feasibility	<u>500,000</u>
	\$45,000,000

Round 2:

Capacity Building	\$3,500,000
Partnership for Children's Health	3,000,000
Prevention Services	500,000
Nutrition and Fitness	500,000
Pediatric Vision Services	1,500,000
New Capacity Building	500,000
Implementation for Capacity Building Projects	<u>500,000</u>
	\$10,000,000

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

**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 3.5% per year.

The Commission's financial plan will continue planned reductions in annual program funding to account for declining revenues. While the financial plan does assume portions of fund balance will be used in future years to bridge some of the gap between needed services and projected revenue, the Commission still maintains a minimum fund balance of 25% of the annual operating budget.

**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, 2013. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Children & Families Commission of Orange County, 17320 Red Hill Avenue, Suite 200, Irvine, California 92614.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 69,280,830
Imprest cash	15,000
Interest receivable	19,931
Deposits with others	5,380,606
Due from County of Orange	881
Due from other governments	5,836,164
Prepaid expense	243,435
<b>TOTAL ASSETS</b>	<b>80,776,847</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	2,847,704
Due to County of Orange	9,593
Due to other governments	3,673,252
Retentions payable	1,634,093
Accrued wages and benefits	70,254
Compensated absences:	
Payable within one year	77,336
Payable after one year	53,482
<b>TOTAL LIABILITIES</b>	<b>8,365,714</b>
<b>NET POSITION</b>	
Unrestricted	72,411,134
<b>TOTAL NET POSITION</b>	<b>\$ 72,411,134</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, 2013**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities: Child development	\$ 35,046,762	\$ 28,190,709	\$ (6,856,053)
General Revenues:			
Investment income			122,358
Miscellaneous			159,344
Total General Revenues			281,703
Change in Net Position			(6,574,351)
Net Position, July 1			78,985,485
Net Position, June 30			\$ 72,411,134

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2013**

	General Fund
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 69,280,830
Imprest cash	15,000
Interest receivable	19,931
Deposits with others	5,380,606
Due from County of Orange	881
Due from other governments	5,836,164
Prepaid Expense	243,435
Total Assets	\$ 80,776,847
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 2,847,704
Due to County of Orange	9,593
Due to other governments	3,673,252
Retentions payable	1,634,093
Accrued wages and benefits	70,254
Deferred revenue	577,553
Total Liabilities	8,812,448
 <b>FUND BALANCES</b>	
Nonspendable fund balance	5,624,041
Committed fund balance	44,990,092
Assigned fund balance	21,350,266
Total Fund Balances	71,964,399
Total Liabilities and Fund Balances	\$ 80,776,847

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 POSITION  
JUNE 30, 2013**

Fund balances of governmental funds	\$ 71,964,399
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(130,818)
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>577,553</u>
Net Position of governmental activities	<u><u>\$ 72,411,134</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, 2013**

REVENUES

Prop 10 Tobacco Tax	\$ 27,024,505
Investment income earned on tobacco taxes at the State level	9,588
Other State operating grants and contributions	217,258
Federal operating grants	603,957
Investment income	122,358
Other revenue	320,180
Total Revenues	28,297,846

EXPENDITURES

Current:

Salaries and benefits	1,708,344
Expenditures related to the "Zero to Five" Program	28,712,645
Catalytic Round 1 and 2 Program	4,629,302
Total Expenditures	35,050,291

Change in Fund Balance	(6,752,445)
------------------------	-------------

FUND BALANCE, July 1	78,716,844
FUND BALANCE, June 30	\$ 71,964,399

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net changes in fund balance - total governmental funds \$ (6,752,445)

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:

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. 3,529

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. 174,565

Change in net position of governmental activities \$ (6,574,351)

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, 2013**

	Budgeted Amouts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Prop 10 Tobacco Tax	\$ 26,809,800	\$ 27,971,800	\$ 27,024,505	\$ (947,295)
Investment income earned on tobacco taxes at the State level	-	-	9,588	9,588
Other State operating grants and contributions	300,000	425,000	217,258	(207,742)
Federal operating grants	455,195	880,126	603,957	(276,169)
Investment income	150,000	150,000	122,358	(27,642)
Other revenue	-	143,000	320,180	177,180
Total Revenues	<u>27,714,995</u>	<u>29,569,926</u>	<u>28,297,846</u>	<u>(1,272,080)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	1,825,000	1,772,000	1,708,344	63,656
Expenditures related to the "Zero to Five" Program	31,161,628	32,989,182	28,712,645	4,276,537
Catalytic Round 1 and 2 Program Funding	45,000,000	48,730,000	4,629,302	44,100,698
Total Expenditures	<u>77,986,628</u>	<u>83,491,182</u>	<u>35,050,291</u>	<u>48,440,891</u>
Net Change in Fund Balance	(50,271,633)	(53,921,256)	(6,752,445)	49,712,971
FUND BALANCE, July 1	<u>78,716,844</u>	<u>78,716,844</u>	<u>78,716,844</u>	-
FUND BALANCE, June 30	<u>\$ 28,445,211</u>	<u>\$ 24,795,588</u>	<u>\$ 71,964,399</u>	<u>\$ 49,712,971</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, 2013**

**NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Children and Families Commission of Orange County (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 component unit of the County of Orange.

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

**Basis of Accounting and Measurement Focus**

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

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

Government-Wide Financial Statements

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

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

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

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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

Government-Wide Financial Statements, (Continued)

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

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.

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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Adjustments Between Fund Financial Statements and Government-Wide Financial Statements**

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 \$577,553 at June 30, 2013 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.

**Deposits with Others**

The Deposits with Others account includes funds that were transferred or advanced to program providers, but the related services were not provided before June 30, 2013.

**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, 2013.

**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, 2013, which is prepared on the modified accrual basis of accounting. The accompanying statement of revenues, expenditures and changes in fund balance – budget and actual includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**Fund Balance**

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

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, 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 (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.

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.

**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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

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

**GASB Statement No. 60** – In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement is to improve financial reporting by addressing issues related to service concession arrangements. This statement was effective July 1, 2012. The Commission has determined that this statement did not have a material impact on the financial statements.

**GASB Statement No. 61** – In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this statement is to improve financial reporting for governmental financial reporting entities. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were a part of the primary government in certain circumstances. This statement was effective July 1, 2012. The Commission has determined that this statement does not have a material impact on the financial statements.

**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 was effective July 1, 2012. The Commission has determined that this statement did not have a material impact on the financial statements.

**GASB Statement No. 63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 30, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Commission implemented this statement effective July 1, 2012.

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. The Commission has not determined the effect of this statement.

**GASB Statement No. 66** – In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62*. This statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for financial statements beginning after December 15, 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, 2013**

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

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

**GASB Statement No. 67** – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective June 30, 2014. The Commission has not determined the effect of this statement.

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

**GASB Statement No. 69** – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for periods beginning after December 31, 2013. The Commission has not determined the effect of this statement.

**GASB Statement No. 70** – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for periods beginning after June 15, 2013. 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	\$ 69,280,830
Imprest Cash	<u>15,000</u>
Total Cash and Investments	<u><u>\$ 69,295,830</u></u>

Cash and investments consisted of the following at June 30, 2013:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 69,280,830
Imprest Cash	<u>15,000</u>
Total Cash and Investments	<u><u>\$ 69,295,830</u></u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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 380 days as of June 30, 2013. The Commission’s equity in the Pool was 2.24% of the total Pool. For further information regarding the Orange County Investment Pool, refer to the County of Orange Comprehensive Annual Financial Report.

Cash on deposit with the Treasurer at June 30, 2013 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. The fair value adjustment at June 30, 2013 decreased the Commission’s investment income by \$168,441. 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, 2013, the Orange County Investment Pool was assigned by S&P at a AAAm Principal Stability Fund Rating.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013, were as follows:

Due from State Commission:	
Prop 10 revenue for:	
May 2013	\$ 2,363,228
June 2013	2,545,910
Surplus Money Investment Fund Allocations	9,588
First 5 CARES Plus Program	310,246
First 5 Child Signature Program	90,171
Due from other governmental agencies for:	
Medi-Cal Administrative Activities (MAA)	143,954
ARRA Health Research Grant	223,120
Vista funds	149,947
Total Due from Other Governments	<u>\$ 5,836,164</u>

**NOTE 4 – 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, 2013, were as follows:

Due to local government agencies:	
FY 2012-2013 Contract Payment Accruals	\$ 3,673,252
Total Due to Other Governments	<u>\$ 3,673,252</u>

**NOTE 5 – COMPENSATED ABSENCES**

The vested compensated absences liability balance at June 30, 2013 consists of the following activity:

Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
\$ 134,347	\$ 161,881	\$ 165,408	\$ 130,818	\$ 77,336

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 6 – FUND BALANCE**

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2013 consists of the following:

	June 30, 2013
Nonspendable:	
Prepaid retirements	\$ 243,435
Deposits with Others	5,624,041
Committed for:	
Contractual obligations	44,990,092
Assigned for:	
Budgeted programs	21,350,266
Total Due from Other Governments	\$ 71,964,399

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2013-2014. Refer to Note 8 for further details. Also included are the amounts transferred to contractors for services not provided by June 30, 2013.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2013 for FY 2013-2014 and future years of Commission Round 1 and 2 Catalytic funding.

Assigned for budgeted programs – consists of FY 2013-2014 contracts that were approved by Commission action and included in the FY 2013-2014 Operating Budget.

**NOTE 7 – CONTINGENCIES**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

*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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

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 28.80% for the year ended June 30, 2013. 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 6.45% for the year ended June 30, 2013.

The Commission’s annual required contribution to OCERS was \$345,038 for the year ended June 30, 2013. 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>
6/30/2011	\$ 431,625	100.00%
6/30/2012	412,774	100.00%
6/30/2013	345,038	100.00%

*Prepayment of 2013-2014 contributions.* In August 2012, 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 2013-2014. Subsequently, the Commission authorized the pre-payment of \$270,213 in January 2013. As of June 30, 2013, \$243,435 remained in the prepayment account and will be applied towards the Commission’s employer required OCERS contributions for FY 2013-2014.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 9 – COMMITMENTS**

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

FY 2013-14	\$ 111,470
FY 2014-15	68,607
FY 2015-16	68,607
FY 2016-17	22,869
	<hr/>
	\$ 271,553

Rent expense was \$197,196 for the year ended June 30, 2013.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The Commission contracts with the County to provide accounting, banking and investment, purchasing, human resources, risk management and other administrative services. The Commission participates in the County's risk management programs (commercial and self-insurance programs) for general and automobile liability insurance, public official liability, rental interruption, personal property, worker's compensation, group health indemnified plans, group salary continuance plan, group dental plan and unemployment benefit plan. The Commission records its portion of related insurance premiums charged by the County as an expense. Insurance expense for the year ended June 30, 2013 was \$60,895. The Commission incurred expenses totaling \$569,307 for all other County services provided during the year ended June 30, 2013. The amount owed to the County of Orange for related party transactions at June 30, 2013 was \$9,593.

The Commission paid \$1,688,636 of service provider grants to organizations which are represented by two members of the Board of Commissioners, although both members abstain from all votes regarding funding to the organization represented.

**NOTE 11 – PROGRAM EVALUATION**

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

For the year ended June 30, 2013, the Commission expended \$894,496 for program evaluation.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 12 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description.* In accordance with the Commission’s participation agreement entered into in July 2007, the Commission is a participant in the County of Orange Retiree Medical Plan (the Plan). The County of Orange has established the Plan as a single-employer defined benefit retiree medical plan. The Plan provides a grant for medical benefits to eligible retirees and their dependents and lump-sum payments for employees separating from employment prior to being eligible for the grant. The County Board of Supervisors maintains the authority to establish and amend the Plan’s benefit provisions. The financial statements and required supplementary information of the Plan are included in the County of Orange’s fiscal year 2012-2013 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, 2013, the Commission was required to contribute 3.32% 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, 2013 were \$42,646 which equaled the required contributions.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2011	\$ 38,023	100.00%
6/30/2012	33,639	100.00%
6/30/2013	42,646	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.

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

CARES Plus is designed to improve the quality of early learning programs by focusing on increasing the quality, effectiveness, and retention of early educators. As a statewide professional development program, its main objectives are to improve both the quality of early learning programs, and ultimately, learning and developmental outcomes for young children. Commission claimed \$310,246 in CARES Plus Phase II reimbursable expenses for the period ending June 30, 2013. Phase II funds have three to one Commission match to each dollar of First 5 funding.

The Child Signature Program primary purpose in Orange County is to increase quality in early learning programs for children zero to five in identified Early Childhood Education centers where the educational divide is greatest. The program focuses on providing quality improvement support through training and technical assistance to local centers. The Commission participated in Child Signature Program (CSP) RFA #2 and claimed reimbursable expenses of \$90,171 to First 5 California for the period ending June 30, 2013.

**OTHER SUPPLEMENTARY INFORMATION**



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

**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.	36
<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the Commission’s most significant revenue base.	44
<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.	47
<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.	50

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NET POSITION BY COMPONENT  
LAST NINE FISCAL YEARS\***

	<b>Fiscal Year</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net investment in capital assets	\$ -	\$ -	\$ 235	\$ 798
Unrestricted	72,411,134	78,985,485	30,063,595	102,842,804
Total net position	<u>\$ 72,411,134</u>	<u>\$ 78,985,485</u>	<u>\$ 30,063,830</u>	<u>\$ 102,843,602</u>

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

<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 2,301	\$ 5,121	\$ 7,942	\$ 11,419	\$ 16,213
122,720,258	142,142,025	151,578,753	152,265,738	146,184,260
<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>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS\***

	Fiscal Year			
	2013	2012	2011	2010
Expenses:				
Governmental activities:				
Salaries and benefits	1,704,815	2,094,872	2,290,308	2,415,467
Expenses related to "Zero to Services and supplies for State	33,341,947	31,129,369	49,431,678	46,836,184
				6,844,534
Extraordinary Item: Accrual of AB99 liability			51,369,439	
Total expenses	<u>35,046,762</u>	<u>33,224,241</u>	<u>103,091,425</u>	<u>56,096,185</u>
Program revenues:				
Governmental activities:				
Operating grants and contributions				
Prop 10 Tobacco taxes	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921	\$ 29,706,126
Prop 10 State School Readiness				4,349,489
First 5 CARES Plus	237,504	435,487		
First 5 Child Signature Program	90,171			
Other State operating grants and Federal operating grants	668105	592,725	641,124	145,834
				752,152
General revenues				
Investment income earned on	9,588	11,612	15,331	82,000
Investment income	122,358	481,976	818,294	1,141,118
Other revenue	320,180	265,632	26,983	40,509
Extraordinary Item: Reversal of AB99 liability		51,369,439		
Total revenues	<u>\$ 28,472,411</u>	<u>\$ 82,145,221</u>	<u>\$ 30,311,653</u>	<u>\$ 36,217,228</u>
Net (expense) revenue	<u>\$ (6,574,351)</u>	<u>\$ 48,920,980</u>	<u>\$ (72,779,772)</u>	<u>\$ (19,878,957)</u>

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

Fiscal Year				
2009	2008	2007	2006	2005
2,439,415	2,323,471	2,258,080	2,241,058	1,675,442
54,377,591	51,331,591	42,972,440	36,171,992	46,969,598
5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
<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>
\$ 33,396,055	\$ 35,494,096	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
4,294,144	4,114,774	1,706,125	2,554,681	3,698,878
104,166	352,597	669,897	330,598	476,537
1,020,269	1,020,556	2,237,302	307,741	4,601,132
82,479	190,332	430,669	203,588	871,949
3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
210,659	148,113	41,527	176,257	210,602
<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>
<u>\$(19,424,587)</u>	<u>\$ (9,439,549)</u>	<u>\$ (690,463)</u>	<u>\$ 6,076,684</u>	<u>\$ 655,324</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FUND BALANCES – GENERAL FUND  
LAST NINE FISCAL YEARS\***

	Fiscal Year			
	2013	2012	2011	2010
Reserved				
Reserved for imprest fund				\$ 15,000
Reserved for encumbrances				43,044,502
Reserved for contractual obligations				24,677,280
Reserved for capital projects				2,500,050
Reserved for First 5 California initiatives				
Unreserved				
Designated for program operations				2,495,502
Designated for future funding cycles and operating budget				30,006,543
Total fund balances	\$ -	\$ -	\$ -	\$102,738,877

	Fiscal Year			
	2013	2012	2011	2010
FUND BALANCES				
Nonspendable fund balance	\$ 5,624,041	\$ 65,657	\$ 399,279	\$ -
Restricted fund balance				
Committed fund balance	44,990,092	45,090,000	35,123,581	67,721,782
Assigned fund balance	21,350,266	33,560,512		5,010,552
Unassigned fund balance			(5,547,385)	30,006,543
Total fund balances	\$ 71,964,399	\$ 78,716,169	\$ 29,975,475	\$102,738,877

<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -
70,245,812	2,207,285	22,151,367	20,116,494	16,586,404
27,017,022	68,027,433		33,553,325	32,771,294
4,000,000	5,000,000			
	8,690,731	5,378,112		
3,128,463				
18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
<u>\$122,521,616</u>	<u>\$142,192,579</u>	<u>\$151,474,018</u>	<u>\$143,409,869</u>	<u>\$139,097,748</u>

<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ -	\$ -	\$ -	\$ -	\$ -
	8,690,731	5,378,112		
97,262,834	70,234,718	22,151,367	53,669,819	49,357,698
7,143,463	5,015,000	15,000		
18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
<u>\$122,521,616</u>	<u>\$142,192,579</u>	<u>\$151,474,018</u>	<u>\$143,409,869</u>	<u>\$139,097,748</u>

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

	<b>Fiscal Year</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>			
Prop 10 Tobacco taxes	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921
Prop 10 State School Readiness			
Other State operating grants and contributions			
First 5 CARES Plus	217,258	145,487	
First 5 Child Signature Program			
Investment income earned on tobacco taxes at the State Level (SMIF)	9,588	11,612	15,331
Federal operating grants	603,957	903,770	686,722
Investment income	122,358	481,976	818,294
Other revenue	320,180	90,786	26,983
<b>Total revenues</b>	<b>28,297,846</b>	<b>30,621,981</b>	<b>30,357,251</b>
<b>Expenditures:</b>			
Current:			
Salaries and benefits	1,708,344	2,094,972	2,320,099
Expenditures related to "Zero to Five" Program	33,341,947	31,155,080	49,431,115
Services and supplies for State School Readiness program			
Capital outlay			
<b>Total expenditures</b>	<b>35,050,291</b>	<b>33,250,052</b>	<b>51,751,214</b>
Excess (deficiency) or revenues over (under) expenditures	(6,752,445)	(2,628,071)	(21,393,963)
<b>Other Financing Sources (uses):</b>			
Extraordinary Item: Accrual of AB99 liability			(51,369,439)
Extraordinary Item: Reversal of AB99 liability		51,369,439	
<b>Total changes in fund balance</b>	<b>\$ (6,752,445)</b>	<b>\$ 48,741,368</b>	<b>\$ (72,763,402)</b>

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

**Fiscal Year**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 29,706,126	\$ 33,396,055	\$ 35,527,837	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
4,349,489	4,294,144	4,114,774	10,461,757		
145,834	104,166	352,597	669,897	311,792	193,567
82,000	82,479	190,332	430,669		871,949
840,427	757,061	1,130,638	2,237,302	1,432,084	1,848,076
1,141,118	3,944,954	8,854,562	7,954,594	6,506,090	3,499,075
40,509	210,659	148,113	41,527	36,867	181,836
<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>
2,409,027	2,425,403	2,312,004	2,262,578	2,218,293	1,670,398
46,834,681	54,374,771	51,328,771	42,968,962	36,167,198	46,965,745
6,844,534	5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
					11,286
<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>
(19,782,739)	(19,670,963)	(9,281,439)	8,064,149	4,312,121	(6,110,735)
<u><u>\$ (19,782,739)</u></u>	<u><u>\$ (19,670,963)</u></u>	<u><u>\$ (9,281,439)</u></u>	<u><u>\$ 8,064,149</u></u>	<u><u>\$ 4,312,121</u></u>	<u><u>\$ (6,110,735)</u></u>

**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	\$28,809,921	\$374,284,018
2011/2012	\$28,988,350	\$377,690,133
2012/2013	\$27,024,505	\$360,434,399
<hr/>		
<b>Projected Revenues (2)</b>		
2013/2014	\$26,319,003	\$346,791,200
2014/2015	\$25,342,828	\$335,591,200
2015/2016	\$24,738,693	\$327,591,200
2016/2017	\$23,772,076	\$314,791,200

\* 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 2012/13 to 2016/17 (Updated 5/28/13 utilizing DOF May Revise 2013 Tobacco Tax Projections and DOF 2011 Birth Projections for California State and Counties 1970-2021)

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATE OF CALIFORNIA-CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS  
SURTAX REVENUE, 1959-60 TO 2010-11**

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
2010-11	\$828,831,000	\$7,105,000	\$835,937,000	\$1,308,000	\$77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	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 h/	37.47
1988-89	499,712,000 h/	4,273,000	503,984,000	4,968,000	9,994,000 h/	41.67
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		
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 l/	62,558,000	67,000		

Source: State Board of Equalization 2010-2011 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2010-11

- 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 2010-11**

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

Source: State Board of Equalization 2010-2011: Annual Report Table 30B - Cigarette Distributions and Per Capita Consumption, 1959-60 to 2010-11

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

r. Revised.

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

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

	<b>2011**</b>	<b>2010**</b>	<b>2009*</b>	<b>2008*</b>	<b>2007*</b>	<b>2006*</b>	<b>2005*</b>	<b>2004*</b>	<b>2003*</b>	<b>2002*</b>	<b>2001*</b>
Total Population	3,047,120	3,017,327	2,998,820	2,982,790	2,965,829	2,955,425	2,957,137	2,956,473	2,939,733	2,914,419	2,889,905
White	1,334,890	1,336,843	1,363,087	1,383,364	1,392,586	1,405,485	1,423,283	1,439,227	1,447,963	1,453,276	1,458,041
Hispanic	1,032,608	1,010,752	1,008,604	986,104	972,550	961,383	953,194	943,436	928,977	912,149	894,753
Asian & Pacific Islander	554,923	549,149	510,352	499,281	488,521	478,200	471,594	466,022	457,035	445,830	436,407
Black	47,714	45,894	44,641	44,520	44,336	44,328	44,454	44,504	44,397	44,230	44,064
Other/Multi-Race	76,985	74,689	72,136	69,521	67,836	66,029	64,612	63,284	61,361	58,934	56,640
Female	1,540,252	1,526,396	1,512,752	1,505,167	1,496,612	1,491,352	1,491,824	1,490,897	1,482,044	1,469,077	1,456,254
Male	1,506,868	1,490,931	1,486,068	1,477,623	1,469,217	1,464,073	1,465,313	1,465,576	1,457,689	1,445,342	1,433,651
Under 5 years	190,153	190,574	194,723	200,988	202,945	206,581	211,862	215,185	216,027	215,595	215,302
5-9 years	196,567	197,334	200,944	206,588	209,284	211,386	214,222	218,740	222,701	226,100	228,607
10-14 years	208,217	210,213	209,260	218,622	222,735	226,066	228,892	229,527	226,559	221,305	214,550
15-19 years	226,967	228,147	222,780	219,706	215,560	211,947	209,182	206,124	202,996	200,166	198,376
20-24 years	220,121	215,348	209,857	210,065	209,122	208,119	207,329	205,261	201,562	197,484	194,730
25-34 years	420,397	414,942	411,027	407,538	406,889	410,873	420,513	433,062	444,037	454,288	464,427
35-44 years	433,018	436,662	447,102	463,117	468,042	472,297	477,416	481,743	482,978	482,564	481,660
45-54 years	448,793	444,935	443,950	431,378	422,705	413,346	405,181	397,440	388,866	380,310	372,891
55-59 years	185,367	177,331	172,474	165,260	163,804	161,041	157,034	152,133	146,880	140,817	133,371
60-64 years	154,221	148,668	142,894	132,056	125,167	120,075	116,676	113,220	108,649	103,451	99,290
65-74 years	197,489	189,614	183,812	171,707	166,405	162,709	160,296	158,012	154,978	151,806	149,338
75-84 years	114,165	113,374	111,930	111,338	110,392	109,762	108,681	107,286	105,784	103,938	101,841
85+	51,645	50,184	48,067	44,427	42,779	41,223	39,853	38,740	37,716	36,595	35,522

Sources:           \* State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, May 2012.  
                       \*\* State of California, Department of Finance, Report P-2 - State and County Population Projections by Race/Ethnicity and 5-year Age Groups, 2010-2060 (by year), Jan 2013.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
LIVE BIRTHS, CALIFORNIA COUNTIES, 2002-2011 (By Place of Residence)**

COUNTY	YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>CALIFORNIA</b>	<b>529,245</b>	<b>540,827</b>	<b>544,685</b>	<b>548,700</b>	<b>562,157</b>	<b>566,137</b>	<b>551,567</b>	<b>526,774</b>	<b>509,979</b>	<b>502,023</b>
ALAMEDA	21,802	21,574	20,919	20,902	21,058	21,519	20,972	20,320	19,302	19,002
ALPINE	11	14	8	15	13	13	13	4	4	6
AMADOR	260	299	262	288	274	294	288	295	272	269
BUTTE	2,268	2,382	2,354	2,451	2,633	2,519	2,518	2,439	2,454	2,392
CALAVERAS	338	323	322	371	393	397	373	338	346	326
COLUSA	307	330	345	381	389	386	367	361	338	302
CONTRA COSTA	13,315	13,210	13,279	13,143	13,565	13,485	13,136	12,680	12,352	12,057
DEL NORTE	288	299	285	327	365	356	312	333	372	337
EL DORADO	1,765	1,751	1,897	1,930	2,036	1,881	1,814	1,719	1,618	1,629
FRESNO	14,766	15,401	15,896	15,936	16,876	17,291	16,760	16,273	16,281	16,157
GLENN	408	431	398	431	455	434	472	424	434	391
HUMBOLDT	1,420	1,444	1,509	1,598	1,643	1,599	1,601	1,542	1,551	1,448
IMPERIAL	2,662	2,908	2,861	3,058	3,127	3,148	3,221	3,145	3,072	3,075
INYO	173	198	214	205	250	212	226	239	192	213
KERN	12,211	12,888	13,455	14,022	15,104	15,328	15,315	14,827	14,416	14,287
KINGS	2,311	2,365	2,549	2,554	2,683	2,781	2,710	2,644	2,507	2,565
LAKE	636	684	686	728	695	742	705	726	721	715
LASSEN	301	300	301	289	259	264	323	325	322	300
LOS ANGELES	151,167	152,192	151,504	150,377	151,837	151,813	147,684	139,679	133,160	130,312
MADERA	2,147	2,291	2,346	2,349	2,622	2,611	2,535	2,390	2,434	2,401
MARIN	2,772	2,830	2,792	2,785	2,734	2,819	2,716	2,495	2,368	2,385
MARIPOSA	130	135	150	122	159	141	147	155	145	132
MENDOCINO	1,078	1,102	1,125	1,121	1,106	1,145	1,168	1,100	1,059	1,061
MERCED	4,030	4,278	4,296	4,470	4,742	4,650	4,423	4,407	4,248	4,281
MODOC	67	89	85	81	80	80	92	85	119	87
MONO	138	139	170	153	192	161	175	139	151	156
MONTEREY	7,119	7,423	7,396	7,501	7,474	7,551	7,434	7,068	6,764	6,814
NAPA	1,571	1,676	1,604	1,658	1,754	1,665	1,671	1,653	1,525	1,572
NEVADA	823	821	818	819	804	844	871	758	793	761
ORANGE	44,796	45,366	45,060	44,065	44,231	44,026	42,456	40,431	38,237	38,100
PLACER	3,484	3,639	3,797	3,823	3,892	4,051	4,035	3,804	3,824	3,832
PLUMAS	183	180	173	176	172	186	175	154	170	165
RIVERSIDE	26,691	28,028	29,545	31,509	33,659	34,556	32,866	31,601	30,659	30,610
SACRAMENTO	19,243	20,424	20,836	21,184	21,952	22,110	21,389	20,426	20,055	19,998
SAN BENITO	920	869	887	892	885	882	816	752	735	772
SAN BERNARDINO	29,696	30,824	31,914	33,075	34,675	35,193	33,788	31,984	31,367	30,573
SAN DIEGO	43,951	45,368	45,758	45,897	46,876	47,545	46,742	44,960	44,838	43,621
SAN FRANCISCO	8,361	8,659	8,579	8,403	8,609	9,125	9,104	8,807	8,800	8,813
SAN JOAQUIN	10,162	10,455	11,010	11,495	11,782	11,592	11,030	10,872	10,593	10,328
SAN LUIS OBISPO	2,368	2,620	2,694	2,664	2,727	2,884	2,737	2,614	2,736	2,632
SAN MATEO	10,091	10,179	10,089	9,938	9,808	9,910	9,765	9,452	9,193	9,047
SANTA BARBARA	5,698	5,800	6,209	6,192	6,166	6,289	6,319	6,039	5,819	5,803
SANTA CLARA	27,060	26,997	26,537	26,553	26,942	27,484	26,730	25,200	23,936	23,652
SANTA CRUZ	3,334	3,453	3,399	3,385	3,600	3,571	3,538	3,301	3,190	3,232
SHASTA	1,963	2,060	2,046	2,123	2,191	2,230	2,186	2,069	2,136	2,021
SIERRA	30	30	18	35	14	24	22	21	23	23
SISKIYOU	411	493	467	470	493	512	498	477	434	472
SOLANO	5,851	5,818	5,688	5,737	5,801	5,847	5,607	5,392	5,047	5,158
SONOMA	5,679	5,843	5,964	5,613	5,896	5,742	5,761	5,683	5,391	5,150
STANISLAUS	7,929	8,022	8,061	8,445	8,728	8,826	8,549	7,941	7,804	7,737
SUTTER	1,263	1,352	1,342	1,484	1,577	1,497	1,468	1,433	1,360	1,326
TEHAMA	711	758	700	872	818	765	790	814	767	728
TRINITY	106	105	110	120	122	117	126	116	107	123
TULARE	7,419	7,602	7,957	8,168	8,284	8,505	8,533	8,362	8,155	7,966
TUOLUMNE	442	468	477	446	495	474	486	425	487	430
VENTURA	11,606	12,008	11,954	12,160	12,453	12,194	12,076	11,353	11,147	10,656
YOLO	2,384	2,434	2,404	2,453	2,646	2,522	2,669	2,483	2,426	2,340
YUBA	1,129	1,196	1,184	1,258	1,341	1,349	1,264	1,245	1,223	1,282

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2000-2010**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b><u>GOOD HEALTH</u></b>										
Total percentage of women who received early prenatal care*	89.0%	88.0%	88.0%	88.0%	91.0%	91.0%	92.0%	92.0%	91.0%	89.0%
Women with prenatal care in the first trimester*	34,018	35,650	37,267	38,727	38,364	38,365	41,306	41,516	40,654	40,612
Newborns with low birth weight (less than 2,500 grams)*	2,462	2,670	2,705	2,879	2,816	2,826	2,782	2,718	2,710	2,666
Percent of Newborns with low birth weight*	6.4%	6.6%	6.4%	6.5%	6.4%	6.4%	6.2%	6.0%	6.1%	5.9%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth*	89	81	107	158	164	165	203	120	121	93
Children adequately immunized at age 2*	76.6%	81.1%	76.9%	78.9%	78.9%	77.6%	71.4%	73.8%	71.4%	69.7%
Infant Deaths*	147	165	202	187	224	211	179	200	216	206
Infant Mortality Rate (per 1,000 live births)*	3.8	4.1	4.8	4.2	5.1	4.8	4	4.4	4.8	4.5
Birth rate per 1,000 females ages 15-19 in Orange County*	21.4	23.6	25.9	27.7	29.9	29.8	30.1	30.7	32.3	34.9
Breastfeeding Percentages (any)*	92.7%	88.0%	***							
Breastfeeding Percentages (exclusive)*	55.6%	39.2%	***							
Number of children under 18 served by children and youth services*	13,006	12,864	12,552	12,334	11,962	12,203	13,724	14,007	13,590	12,893
<b><u>ECONOMIC WELL-BEING</u></b>										
Children receiving financial assistance through CalWORKS*	42,793	35,962	31,932	32,040	33,618	36,245	37,384	38,997	38,999	39,826
Percent of children receiving CalWORKS of total population under 18*	5.4%	4.5%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Number of students receiving free and reduced lunch*	227,820	211,179	197,671	184,956	193,802	200,340	196,430	198,167	190,979	183,524
Percentage of students receiving free and reduced lunch*	44.0%	43.0%	40.0%	39.0%	39.0%	39.0%	38.0%	38.0%	38.0%	37.0%
Number of participants served by the WIC program*	100,434	104,622	117,188	107,595	95,635	98,635	99,115	97,882	103,264	99,632
Total number of child support cases*	100,056	103,598	94,860	94,769	97,425	98,503	99,134	102,040	99,903	102,043
Total child support collections \$ (in millions)*	177.6	180.3	179.6	179	176.8	176.9	171.9	166.1	163.5	159.3
<b><u>EDUCATIONAL ACHIEVEMENT</u></b>										
Total public school enrollment*	502,903	502,239	504,136	503,225	503,955	510,114	513,744	515,464	512,105	503,351
Number of English learner students*	141,605	140,887	142,833	141,762	144,118	149,535	153,055	159,145	156,725	150,653
Average \$ expenditure per pupil for grades K-12*	7,852	8,724	8,844	8,008	7,360	6,944	6,750	6,715	6,557	6,156
Total number of students K-12 receiving special education*	51,208	51,394	51,486	51,047	51,131	52,243	51,049	51,514	50,236	49,013
<b><u>SAFE HOMES AND COMMUNITIES</u></b>										
Total number of child abuse registry reports*	37,977	38,900	41,119	36,593	33,381	34,909	37,015	27,704	25,607	26,005
Average monthly number of children in out-of-home care*	2,195	2,466	2,668	2,562	2,394	2,566	2,772	2,939	3,253	3,475
Average monthly number of dependents of the court*	3,022	3,433	3,675	3,447	3,187	3,399	3,674	4,007	4,256	4,618
Emancipation Services Program: monthly average youth served*	1,981	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*	355	345	406	343	295	373	424	513	475	419
Total juvenile arrests for youth 10 to 17 years of age*	13,495	14,354	14,927	15,015	14,036	13,014	13,033	13,580	13,646	14,986
Total number of juveniles referred to probation, 10 to 18 years*	11,533	11,531	12,456	11,900	10,852	10,772	10,092	10,491	10,770	10,688

\* The 18th Annual Report on the Condition of Children in Orange County 2012 presents dates through calendar year 2010. Data through FY 2011-12 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 indices.

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

**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**

**2012\***

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Co.	25,000	1	1.57%
University of California, Irvine	21,800	2	1.37%
St. Joseph Health System	11,679	3	0.73%
Boeing Co.	6,873	4	0.43%
Kaiser Permanente	6,300	5	0.40%
Bank of America Corp.	6,000	6	0.38%
Memorial Care Health System	5,545	7	0.35%
Target Corp.	5,400	8	0.34%
Cedar Fair LP	5,200	9	0.33%
California State University, Fullerton	4,984	10	0.31%

**2003\*\***

<b>Employer</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Walt Disney Co.	21,000	1	1.35%
University of California, Irvine	15,000	2	0.96%
CKE Restaurants Inc	14,000	3	0.90%
Boeing Co.	10,800	4	0.69%
Albertson's	8,700	5	0.56%
St. Joseph Health System	8,500	6	0.54%
Tenet Healthcare	8,300	6	0.53%
Yum Brands Inc.	6,500	8	0.42%
SBC Communications	5,900	9	0.38%
Target Corp.	5,400	10	0.35%

\* Source: Orange County Business Journal, Book of Lists, 2013 (list includes corporations, hospitals and universities)

\*\* Source: OC ALMANAC - Largest Employers in Orange County, 2002-2003 (list includes corporations, hospitals and universities)

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
EMPLOYEES BY FUNCTION  
LAST EIGHTS FISCAL YEAR**

	<b>Fiscal Year</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Number of Employees by Function				
General Administration	4	6	7	7
Finance	1	2	2	2
Contracts Administration	4	4	5	5
Program Management & Evaluation	4	3	3	4
<b>Total Employees</b>	<b>13</b>	<b>15</b>	<b>17</b>	<b>18</b>

\* Table presents Regular and Limited-Term Employees

Fiscal Year				
2009	2008	2007	2006	2005
7	8	7	8	8
2	1	2	3	2
5	5	5	5	2
4	4	2	2	2
<u>18</u>	<u>18</u>	<u>16</u>	<u>18</u>	<u>14</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 27, 2013. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012.

**Internal Control Over Financial Reporting**

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

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

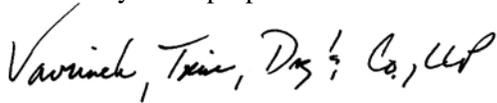
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California  
September 27, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### Compliance

We have audited the basic financial statements of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California as of and for the year ended June 30, 2013 and have issued our report thereon dated September 27, 2013. Our report included an emphasis-of-matter regarding the Commission's adoption of Statement of Governmental Accounting Standard (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. 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. 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, 2013.

### Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Commission's management.

### Auditor's Responsibility

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 General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 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 connection with the audit referred to above, we selected and tested transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

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

**Opinion**

In our opinion, the Commission 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, 2013.

**Purpose of Report**

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



Laguna Hills, California  
September 27, 2013

**CHILDREN AND FAMILIES COMMISSION OF  
ORANGE COUNTY**

**SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2013**

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 27, 2013. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California  
September 27, 2013



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

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

**Report on Compliance for Each Major Federal Program**

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, 2013. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Commission, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the financial statements of the governmental activities and the general fund of the Commission as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. We issued our report thereon dated September 27, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by *OMB Circular A-133*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Laguna Hills, California  
September 27, 2013

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Corporation for National and Community Services:</b>			
Volunteers in Service to America (VISTA) [1]	94.013	06VSPCA032	\$ 371,535
<b>U.S. Department of Health and Human Services:</b>			
NIH Recovery Act Research Support - ARRA			
Passed through from:			
The University of California, Irvine Medical Assistance Program	93.701	2010-2490	277,364
Passed through from:			
County of Orange Medi-Cal Administrative Activities	93.778	03-75080	<u>143,954</u>
<b>Subtotal - U.S Department of Health and Human Services</b>			<u>421,318</u>
Total Expenditures of Federal Awards			<u><u>\$ 792,853</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, 2013**

***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 Schedule of Expenditures of Federal Awards includes expenditures incurred for Medi-Cal Administrative Activities (CFDA No. 93.778) in the fiscal year 2011-2012, which were approved for reimbursement by the grantor agency in the fiscal year 2012-2013.

**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, 2013**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</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>Unmodified</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>
94.013	Volunteers in Service to America (VISTA)
_____	_____
_____	_____
_____	_____

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, 2013**

**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, 2013**

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

None noted.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2013**

None noted.

**Children and Families Commission of Orange County  
FY 13/14 Amended Budget**

	FY 13/14 Proposed Budget	FY 13/14 Carryover	FY 13/14 Adjustments	FY 13/14 Amended Budget
<b><u>FINANCING</u></b>				
<b>Prop 10 Tax Allocations</b>	26,894,886		(681,116)	26,213,770
<b>Other Revenues</b>				
Investment Earnings	150,000			150,000
MAA Revenue	220,000			220,000
ARRA Health Research Grant	237,056		(38,056)	199,000
CARES Plus Program Revenue			300,000	300,000
First 5 Child Signature Program	105,000		4,311,000	4,416,000
AmeriCorps VISTA Program Revenue	-		403,432	403,432
AmeriCorps VISTA Program Partner Revenue	-		250,468	250,468
	<b>\$ 27,606,942</b>	<b>\$ -</b>	<b>\$ 4,545,728</b>	<b>\$ 32,152,670</b>
<b><u>PROGRAM SERVICES</u></b>				
<b>Healthy Children</b>				
Bridges: Maternal Child Health Network	6,495,000	86,000	-	6,581,000
Health Access and Education	572,995	79,000	-	651,995
Community Clinics	2,005,000	692,400	-	2,697,400
Fitness/Nutrition	10,000	2,240	-	12,240
Children's Dental	-	-	-	-
Pediatric Health Services	4,260,750	210,000	-	4,470,750
School Readiness Nursing	2,987,000	80,000	-	3,067,000
Healthy Children Program Support	209,535			209,535
Healthy Children subtotal	<b>\$ 16,540,280</b>	<b>\$ 1,149,640</b>	<b>\$ -</b>	<b>\$ 17,689,920</b>
<b>Strong Families</b>				
Family Support Services	703,000	36,000	-	739,000
Homeless Prevention	2,175,000	49,181	-	2,224,181
Strong Families Program Support	94,091			94,091
Strong Families subtotal	<b>\$ 2,972,091</b>	<b>\$ 85,181</b>	<b>\$ -</b>	<b>\$ 3,057,272</b>
<b>Early Learning</b>				
Early Learning Specialists	2,485,625	-	-	2,485,625
School District Programs	2,000,000	-	-	2,000,000
CARES Plus Program	-	-	300,000	300,000
First 5 California Child Signature Program	105,000	-	4,311,000	4,416,000
Community Based Early Learning Programs	1,122,400	80,000	105,000	1,307,400
Early Learning Program Support	78,695			78,695
Early Learning subtotal	<b>\$ 5,791,720</b>	<b>\$ 80,000</b>	<b>\$ 4,716,000</b>	<b>\$ 10,587,720</b>

**Children and Families Commission of Orange County  
FY 13/14 Amended Budget**

<b><u>PROGRAM SERVICES continued</u></b>	<b>FY 13/14 Proposed Budget</b>	<b>FY 13/14 Carryover</b>	<b>FY 13/14 Adjustments</b>	<b>FY 13/14 Amended Budget</b>
<b>Capacity Building</b>				
AmeriCorps/VISTA	1,096,930	-	653,900	1,750,830
AmeriCorps/VISTA Program Support	5,196			5,196
Performance Outcomes Management System	928,631	-	(38,056)	890,575
Evaluation Program Support	47,141			47,141
Technical Assistance	45,000	-	-	45,000
Capacity Building Grants & Matching Funds	-	250,000	-	250,000
Capacity Building Support & Fund Development	125,000	-	20,500	145,500
Capacity Building Program Support	47,141			47,141
Capacity Building subtotal	<b>\$ 2,295,039</b>	<b>\$ 250,000</b>	<b>\$ 636,344</b>	<b>\$ 3,181,383</b>
<b>Total Program</b>	<b>\$ 27,599,130</b>	<b>\$ 1,564,821</b>	<b>\$ 5,352,344</b>	<b>\$ 34,516,295</b>
<b>Administrative Functions</b>				
Commission Staffing	1,342,281			1,342,281
Strategic Communications	190,000	5,000	-	195,000
Professional and Technical Services	578,000	17,000	-	595,000
Office, Training & Operating Costs	414,021	5,000	-	419,021
	<b>\$ 2,524,302</b>	<b>\$ 27,000</b>	<b>\$ -</b>	<b>\$ 2,551,302</b>
<b>Total Annual Operating Budget</b>	<b>\$ 30,123,432</b>	<b>\$ 1,591,821</b>	<b>\$ 5,352,344</b>	<b>\$ 37,067,597</b>
Admin. % of Budget	8.38%			6.88%

**Children and Families Commission of Orange County  
FY 13/14 Amended Budget**

<b>Catalytic Funding: Round 1 &amp; 2</b>	<b>Total Catalytic Allocation (a)</b>	<b>FY 12/13 Expenses* (b)</b>	<b>FY 13/14 Amended Budget** Remaining Catalytic Funding (a - b)</b>
<b>Round 1 Catalytic Funding</b>			
<b>Health Children Catalytic Funding</b>			
Children's Dental Program	20,000,000	1,380,977	18,619,023
For OC Kids Autism	7,000,000	2,000,000	5,000,000
<b>Strong Families Catalytic Funding</b>			
Healthy Child Developmental Resources	5,500,000	12,500	5,487,500
Emergency Shelter	6,250,000		6,250,000
HomeAid and Shelter projects	750,000		750,000
<b>Early Learning Catalytic Funding</b>			
Early Literacy & Math	5,000,000	250,000	4,750,000
<b>Capacity Building Catalytic Funding</b>			
Vista Program Transition	500,000	10,000	490,000
<b>Round 1 Subtotal</b>	<b>45,000,000</b>	<b>3,653,477</b>	<b>41,346,523</b>
<b>Round 2 Catalytic Funding</b>			
<b>Health Children Catalytic Funding</b>			
Partnership for Children's Health	3,000,000	38,762	2,961,238
Fitness/Nutrition	350,000	5,000	345,000
Breastfeeding Support	150,000		150,000
<b>Strong Families Catalytic Funding</b>			
Prevention and Child Welfare Program	500,000	15,000	485,000
<b>Capacity Building Catalytic Funding</b>			
New Program and Capital FacilityExpansion	3,500,000	917,064	2,582,936
<b>Pediatric Vision Program Catalytic Funding</b>			
Pediatric Vision Program	1,500,000		1,500,000
Unallocated Round 2 Catalytic**	1,000,000		1,000,000
<b>Round 2 Subtotal</b>	<b>10,000,000</b>	<b>975,826</b>	<b>9,024,174</b>
<b>Total Catalytic Funding</b>	<b>55,000,000</b>	<b>4,629,303</b>	<b>50,370,697</b>

\* Total expenses represent only costs realized on the Commission's financial statements. An additional \$5 million in catalytic funding has been disbursed, and the related expenses will be recognized when services are provided.

\*\* Total budgeted catalytic expenditures for FY 2013/14 will be revised to match the current year budget with the timing of service delivery.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**RESOLUTION NO. \_\_\_-13-C&FC**

**October 2, 2013**

**A RESOLUTION OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY ADOPTING THE AMENDED FISCAL YEAR 2013-14 OPERATING BUDGET**

**WHEREAS**, at its meeting of April 3, 2013, 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 April 3, 2013 Commission meeting: The Strategic Plan, the Annual Operating Budget for the Fiscal Year 2013-14, and the Business Plan for Fiscal Year 2013-14 including the Administrative Budget; and

**WHEREAS**, at its meeting of October 2, 2013, the Commission reviewed and adopted an Amended Annual Operating Budget for the Fiscal Year 2013-14 prepared and recommended by staff and identified in the staff report for the October 2, 2013 Commission meeting as Attachment 4.

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 2013-14.

**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 2013-14.

**Section 5** The Clerk of the Commission shall append to this Resolution a copy of the Amended Annual Operating Budget for Fiscal Year 2013-14, identifying it as Exhibit A which shall correspond to Attachment 4 of the October 2, 2013 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 2013-14**  
**(attached)**

**Proposed Revisions to the Strategic Plan**  
Proposed changes in **bold**

<b>Strategic Plan Element</b>	<b>Current Strategic Plan Statement</b>	<b>Proposed Revision</b>
VISION	All children are healthy and ready to succeed	All children are healthy and ready to <b>learn.</b>
MISSION	Provide leadership, funding and support for programs that achieve the vision that all children are healthy and ready to succeed when they enter school	Provide leadership <b>as a funder, convener, and planner to support healthy development and learning for Orange County's young children.</b>
VALUES	Not included in current plan	See page 2.
CORE FUNCTIONS	<ul style="list-style-type: none"> <li>• Fund service and programs to achieved desired results</li> <li>• Act as a catalyst and leader for coordinating, integrating and leveraging existing resources</li> <li>• Build community and organizational capacity to support children and families</li> </ul>	No proposed changes
GOALS	<i>Healthy Children</i> Ensure the overall physical, social, emotional and intellectual health of children during the prenatal period through age five	<i>Healthy Children</i> <b>Promote</b> the overall physical, social, emotional and intellectual health of <b>young children</b>
	<i>Early Learning</i> Provide early care and education opportunities for young children to maximize their potential to succeed in school	<i>Early Learning</i> Provide <b>early learning</b> opportunities for young children to maximize their potential to succeed in school
	<i>Strong Families</i> Support and strengthen families in ways that promote good parenting for the optimal development of young children	<i>Strong Families</i> Support and strengthen families <b>to promote</b> good parenting for the optimal development of young children
	<i>Capacity Building</i> Promote an effective delivery system for child and family services	<i>Capacity Building</i> Promote an effective and <b>quality</b> delivery system for <b>young children</b> and their families

### **Guiding Principles (Previously adopted by the Commission)**

In all of its operations, the Commission is committed to the following principles which guide its investments in early childhood health and development:

1. Promote and fund high quality services modeled after research-based, proven strategies which have planned publicly accountable outcomes.
2. Maximize and leverage the existing system of public and private agencies concerned with young children and families and promote the integration of services through local, convenient and family-friendly access points.
3. Create family-based culturally and linguistically appropriate services which enrich the child within the context of the whole family by incorporating parents, other caregivers, and siblings in the service design.
4. Foster sustainability by building community capacity to support families and focusing on policy-level issues and decisions.
5. Engage in an open decision-making process that makes funding decisions based on: Commission vision, goals, and outcomes; compelling community need; and, positive data supported outcomes.

### **Proposed Organizational Values**

1. **Integrity:** We adhere to the highest standards, ensuring public trust through transparency in decision-making and commitment to the voters' intent.
2. **Excellence:** We support high quality programs and services, continually striving to optimize operational practices.
3. **Collaboration:** We work with community partners, sharing knowledge and accomplishing shared goals.
4. **Results-Oriented:** We are responsible for achieving positive outcomes for young children, establishing demanding metrics of success for all programs and services.
5. **Innovation:** We constantly challenge ourselves and our partners to advance creative solutions to benefit young children and their families.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**RESOLUTION NO. \_\_\_-13-C&FC**

**October 2, 2013**

**A RESOLUTION OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY APPROVING FINAL PROPOSED REVISIONS TO THE STRATEGIC PLAN**

**WHEREAS**, at its meeting of April 3, 2013, 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 April 3, 2013 Commission meeting: The Strategic Plan, the Annual Operating Budget for the Fiscal Year 2013-14, and the Business Plan for Fiscal Year 2013-14 including the Administrative Budget; and

**WHEREAS**, at its meeting of October 2, 2013, the Commission reviewed and approved the final proposed revisions to the Strategic Plan prepared and recommended by staff and identified in the staff report for the October 2, 2013 Commission meeting as Attachment 6.

**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 approves the final proposed revisions to the Strategic Plan.

**Section 3** The Clerk of the Commission shall append to this Resolution a copy of the approved final proposed revisions to the Strategic Plan, identifying it as Exhibit A which shall correspond to Attachment 6 of the October 2, 2013 staff report. By this reference such exhibit is incorporated as though fully set forth herein.

**Section 4** **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 5** The Clerk of the Commission shall certify to the adoption of this Resolution.

The foregoing resolution was passed and adopted by the following vote of the Children and Families Commission of Orange County on October 2, 2013 to wit:

AYES Commissioners: \_\_\_\_\_

NOES: Commissioner(s): \_\_\_\_\_

EXCUSED: Commissioner(s): \_\_\_\_\_

ABSTAINED: Commissioner(s) \_\_\_\_\_

\_\_\_\_\_  
CHAIR

STATE OF CALIFORNIA )  
 )  
COUNTY OF ORANGE )

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

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

\_\_\_\_\_  
SUSAN NOVAK  
Clerk of the Commission, Children and Families Commission of  
Orange County, County of Orange, State of California

Resolution No: \_\_-13-C&FC

Agenda Date: October 2, 2013

Item No. \_\_



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

SUSAN NOVAK, Clerk of the Commission

By: \_\_\_\_\_  
Deputy

**EXHIBIT A TO RESOLUTION OF COMMISSION  
APPROVED FINAL REVISIONS TO THE STRATEGIC PLAN  
(attached)**