

**Agenda Item 8
October 1, 2014**

DATE: September 19, 2014

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director 

SUBJECT: Public Hearing: FY 2013/14 Annual Report and Financial Audit and Amendments to FY 2014/15 Operating Budget

SUMMARY:

The California Children and Families Act of 1998 (Health and Safety Code Sections 130140 & 130150) requires that each county commission complete an annual audit and program report of the preceding fiscal year, conduct a public hearing on the audit and program reports, and submit both to the First 5 California Commission on or before November 1 of each year. The audit report must be filed with the State Controller's Office. The annual financial audit and the draft program reports have been completed and are submitted to the Commission for public hearing. This report includes recommended amendments to FY 2014/15 Approved Operating Budget based on the year-end financial results. This report also 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

DISCUSSION:**Annual Program Report**

State law requires that each county commission prepare an annual program report to address: (1) how funds were spent; (2) the progress toward and achievement of program goals and objectives; and (3) the measurement of outcomes. This report is developed consistent with the First 5 California Guidelines and submitted to First 5 California for incorporation into a consolidated statewide annual report to the Governor and the Legislature. The full draft report is on file with the Clerk of the Commission; Attachment 1 includes a summary of the report. The reports include an Annual Program Report and a Supplemental Report that presents the detailed program data by the Commission's four goal areas, including child demographic data.

This past year, the First 5 California Annual Report Glossary was revised to:

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

Orange County implemented the new glossary last fiscal year. As a result, several health result areas are now bundled into a broader Maternal Child Health category and all comprehensive screening and assessment data is now merged into one result area. The Annual Report includes a brief County Summary that highlights priorities for each local Commission. This year, Orange County's Summary includes a focus of on the Center for Autism and Neurodevelopmental Disorders, the Early Childhood STEM Conference, and the Regional Common Data System.

Highlights from the Orange County *FY 2013/14 Annual Program Report* include:

- 169,509 children ages 0-5 received Commission-funded services
- 156,898 family members of children ages 0-5 received Commission-funded services
- 2,010,870 services were provided to children
- 1,029,120 services were provided to family members

During the FY 2013/14 reporting period, there was a 14 percent reduction in the number of children served and a 50 percent increase in the number of services provided. Staff is currently in the process of reviewing the year-end program data and verifying that these changes accurately capture the number of children and families served and the services provided. Any final adjustments will be incorporated into the report prior to the November 1 due date. In addition, staff will report back at the December meeting on the final results of this verification process and provide further analysis of the FY 2013/14 data.

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 2014 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.

Annual Financial Audit

Comprehensive Annual Financial Report (CAFR)

Vavrinek, Trine, Day & Co., LLP (Vavrinek) performed an independent annual audit of Commission financial statements for FY 2013/14 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, 2014* is included as Attachment 2.

Single Audit Report

Vavrinek completed a Single Audit Report for FY 2013/14 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, 2014* is included as Attachment 3.

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, 2014*. 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, 2014, and the respective changes in financial position thereof and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America."
- b. Auditors' Report on State Compliance: "In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2014."
- 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, 2014."

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 2014/15 Approved Operating Budget

The FY 2014/15 Budget was approved by the Commission in April 2014. Staff analyzed current program allocations and encumbrances and has developed a proposed Amended Annual Operating Budget for FY 2014/15. The amended operating budget includes both previously approved contracts recommended to be carried forward into the current year and amendments to reallocate administrative savings into program funding:

- *Revenue* – Actual Tobacco Tax revenue was nearly \$182,000 above the FY 2013/14 budget amount of \$26.2 million. Interest earnings were also above budget although the final amount recognized on the Commission financial statements includes market value adjustments for the prior year and current reporting year, FY 2013/14. The strategy endorsed by the Commission in November 2013 would direct any additional revenue above forecasted budget amounts and year-end program savings to be reserved for catalytic investments. Consistent with this policy, staff recommends directing the FY 2013/14 revenue above budget (\$200,000) into the reserve for catalytic investments. A complete review of catalytic projects and fund balance is included in the Catalytic Reallocation Plan (Agenda Item 7).

Federal AmeriCorps/VISTA (Volunteers in Service to America) program revenue was increased by \$305,098 to include the anticipated federal award for the FY 2014/15

AmeriCorps/VISTA program. The additional AmeriCorps/VISTA federal and program partner revenue is consistent with this month's recommended action in the AmeriCorps/VISTA Program renewal item (Agenda Item 5). Other revenue has been increased by \$101,750 for the additional revenue expected from the Statewide Help Me Grow evaluation and the Community Indicators Report (see discussion below).

- *Program Funding* – Program funding has been increased from \$30.1 to \$37 million to account for carryover funding and program expenses offset by outside revenue sources. \$1.29 million of the budgeted increase is due to the carryover program funding originally budgeted in FY 2013/14 but not expended. The significant carryover amounts requested are \$150,000 for Pediatric Health Services, \$500,000 in Community Clinics for El Sol, \$189,730 for Technology Capacity Building and \$150,000 for the Physician Loan Repayment program. Additional evaluation funding of \$101,750 has been incorporated into the Amended Budget pending approval of the on-call evaluation consultant panel (Agenda Item 4) and consists of two items:
 1. \$51,750 for the Statewide Help Me Grow including \$45,000 for consultant support, and \$6,750 for First 5 Association Administrative Support.
 2. \$50,000 for the 2015 Community Indicators Report for the balance of funding to be provided by CalOptima and Orange County United Way.

- *Administrative Expenses* – Administrative costs for FY 2013/14 were almost \$2.4 million or approximately \$.019 million below budget. Final Administrative costs reported on the Commission financial statements contain limited accrual estimates that may vary once all final invoices are received and payments processed. Using a conservative estimate, FY 2013/14 Administrative unspent funds of \$100,000 can be used for additional demands on the FY 2014/15 budget for Health Access activities and the Young Children's Summit planned for fall 2015. Staff requests authority to redirect this administrative savings into program needs for the FY 2014/15 budget. Funds are requested to support the following health access programs and priorities:
 1. \$5,000 for Children's Health Initiative of Orange County sustainability planning to support transition to an independent nonprofit agency through the end of the calendar year
 2. \$13,450 for the Hospital Association of Southern California to provide continued support for the Bridges Maternal Child Health Network
 3. \$13,000 to support the Healthy Communities web portal, in partnership with the County Health Care Agency and other health funders
 4. \$7,500 for the Safe Sleep initiative pilot program in partnership with AAP. This pilot project will provide access for new mothers to portable cribs as well as support to address incidences of child death due to inadequate sleeping arrangements. This project was prioritized by the Orange County Children's Partnership and is supported by the County Health Care Agency and Social Services Agency.

The balance of the funding (\$61,050) will be set aside in the evaluation budget for the proposed Children's Summit (tentatively planned for fall 2015) and/or other health and learning priorities identified throughout the year. Allocation of these funds will be consistent with Commission policy regarding budgets and contracting.

Long-Term Financial Plan

The Commission will consider the updated Long Term Financial Plan at the December meeting. It will include updated year-end financial results and revised revenue forecasts for the planning horizon.

STRATEGIC PLAN & FISCAL SUMMARY:

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

PRIOR COMMISSION ACTIONS:

- April 2013 – Conducted public hearing and approved FY 2013/14 Business Plan
- March 2014 – Conducted public hearing on state commission's FY 2012/13 Annual Report

RECOMMENDED ACTIONS:

1. Conduct Public Hearing
2. Receive the Annual Program Report including Supplemental Report for FY 2013/14 (Attachment 1) and authorize the Executive Director to submit the final report to the First 5 California Commission
3. Authorize the Executive Director to execute required certifications to the First 5 California Commission and to incorporate revisions to the annual data summary as needed to the Annual Program Report including Supplemental Report for FY 2013/14 prior to submittal
4. Receive the Comprehensive Annual Financial Report for Year Ended June 30, 2014, 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, 2014 (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 2014/15 Amendments to FY 2014/15 Operating Budget (Attachment 4) and adopt Resolution (Attachment 5) approving the Amended Annual Operating Budget for FY 2014/15 and direction of the 2013/14 Proposition 10 revenue above budget (\$200,000) into the reserve for catalytic investments.

ATTACHMENTS:

1. Annual Program Report including Supplemental Report, FY 2013/14
2. Comprehensive Annual Financial Report for Year Ended June 30, 2014
3. Single Audit Report for the Year Ended June 30, 2014
4. FY 2014/15 Amended Budget
5. Resolution approving FY 2014/15 Amended Budget

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

**AR1/AR2 Summary Report
for Fiscal Year 2013-2014 (July 1, 2013 - June 30, 2014)**

County: Orange

Tuesday, September 23, 2014

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	\$829,428	0	7,592
Improved Child Development	Preschool Programs for 3 and 4 Year Olds	In Progress	\$25,000	685	7,041
Improved Child Health	Maternal and Child Healthcare	In Progress	\$5,467,707	15,733	25,148
Improved Family Functioning	Distribution of Kit for New Parents	In Progress	\$0	0	19,538
Improved Family Functioning	Adult and Family Literacy Programs	In Progress	\$1,076,145	46,427	24,031
Improved Family Functioning	Targeted Intensive Family Support Services	In Progress	\$2,688,507	2,607	2,185
Improved Family Functioning	General Parenting Education and Family Support Programs	In Progress	\$0	0	0
Improved Family Functioning	Quality Family Functioning Systems Improvement	In Progress	\$187,330	0	0
Improved Child Development	Infants, Toddlers, and All-Age Early Learning Programs	In Progress	\$2,717,026	522	907
Improved Child Development	Early Education Provider Programs	In Progress	\$579,386	0	2,701
Improved Child Development	Kindergarten Transition Services	In Progress	\$0	0	0
Improved Child Development	Quality ECE Investments	In Progress	\$2,453,974	24,447	35,238
Improved Child Health	Nutrition and Fitness	In Progress	\$134,964	1,298	377
Improved Child Health	Health Access	In Progress	\$498,307	1,396	3,208
Improved Child Health	Oral Health	In Progress	\$2,091,555	18,538	7,752
Improved Child Health	Primary and Specialty Medical Services	In Progress	\$5,880,295	32,467	18,694
Improved Child Health	Comprehensive Screening and Assessments	In Progress	\$6,811,331	25,944	37,986
Improved Child Health	Targeted Intensive Intervention for Identified Special Needs	In Progress	\$411,445	0	303
Improved Child Health	Safety Education and Injury Prevention	In Progress	\$24,244	0	173
Improved Child Health	Tobacco Education and Outreach	In Progress	\$0	0	0
Improved Child Health	Quality Health Systems Improvement	In Progress	\$707,452	0	1,602
Improved Systems of Care	Policy and Broad Systems-Change Efforts	In Progress	\$542,189		
Improved Systems of Care	Organizational Support	In Progress	\$1,459,035		
Improved Systems of Care	Public Education and Information	In Progress	\$699,406		
TOTAL			\$35,284,726	170,064	194,476

**Supplement to Orange County's Annual Report to the State
July 1, 2013 – June 30, 2014**

During Fiscal Year 2013-2014 (FY 13/14), the Children and Families Commission of Orange County (Commission) funded 126 organizations to implement 248 individual programs serving children, families, and providers. This report provides details on the numbers children, family members, and service providers served by Commission-funded programs and the services that were provided to them. 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):

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

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 (Commission).

In February 2000, the Children and Families Commission of Orange County adopted its Strategic Plan to become eligible for Proposition 10 tobacco tax revenue allocations. The Strategic Plan outlined the Commission's goals, outcomes, indicators and objectives, and guides its funding decisions. In May 2006, the Commission adopted an update to the Strategic Plan, highlighting linkages between the Strategic Plan and other planning efforts and expanded program-specific measures to better reflect the diverse services the Commission funds. In October 2013, the Commission approved revisions to the Strategic Plan to align with current priorities and strategies. The Strategic Plan is reviewed annually in a public hearing. The Commission's mission is to: Provide leadership, funding and support for programs that achieve the vision that all children are healthy and ready to learn.

The Commission has identified four goals in its Strategic Plan:

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

The Commission implements a standardized set of indicators 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 four columns: the first two columns list the Strategic Plan outcomes and services used by Commission-funded programs and the third and fourth columns list the number of clients and services delivered, respectively.

In FY 13/14, there were 169,509 new Children ages 0-5, 156,898 new Family Member and 15,487 new Service Providers served by Commission-funded programs. Children ages 0-5 received over 2 million services; while their Family Members received over 1 million services (see Table 1). Almost 33,000 services were provided to Service Providers during FY 13/14. There was a 14% decrease in the number of Children ages 0-5 and 15% decrease in the number of Family Members served between FY 12/13 to FY 13/14. During the same time, however, there was an 8% increase in the number of Providers served.

In terms of the of services provided, between FY 12/13 and 13/14, there was a 50% increase in the number of services provided to Children ages 0-5, a 29% increase in the number of services provided to Family Members, and a 34% increase in the number of services provided to Providers.

Commission-Wide Data

Table 1. Aggregate Data for all Commission-Funded Programs

	Children Ages 0-5	Family Members	Service Providers
Number of people receiving services*	169,509	156,898	15,487
Number of services provided	2,010,870	1,029,120	32,927

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

Table 2. Description of Children Served¹ in FY 13/14 Based on Client Level Data

Variable Considered	Category Label	Count ²	Percent
Total number of children with client-level data		9,623	100
Age at most recent interview	Under Three	5,562	58.8
	Three through Five	3,899	41.2
Ethnicity	Amer. Indian/Alaska Native	37	0.4
	Asian or Pacific Islander	264	2.7
	Black/African American	150	1.6
	Hispanic/Latino	6,956	72.3
	Pacific Islander	27	0.3
	White	864	9.0
	Vietnamese	131	1.4
	Multiracial	370	3.8
	Other	87	0.9
Unknown	737	7.7	
Primary Language	English	3,545	37.3
	Spanish	4,660	49.1
	Vietnamese	112	1.2
	Other	235	2.5
	Unknown	945	10.0
At or Below 200% Federal Poverty Level		7,464	79.9

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

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

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
HC.1 Children are born healthy	Clinical prenatal visits	956	14,262
	Case management meetings/home visits to support prenatal care	840	2,493
	Classes to support healthy pregnancy	226	47
	Pregnant women receive support for healthy pregnancy and early childhood health	8,858	8,858
	Home visits/case management conducted with expectant mothers with a history of ATOD abuse	38	228
	Classes for at-risk for ATOD	270	40
	Home visits/case management meetings conducted with parents with a history of ATOD abuse	56	376
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	195	137
	Providers educated on child development, recognizing key milestones, and the importance of screening and/or assessment	2,108	2,943
	Providers receive informational materials regarding developmental milestones and development	482	488
	Children receive developmental screening using AAP recommended tools (e.g. PEDS, ASQ)	26,250	49,418
	Parents receive education, resources, referrals, and support regarding their child's development	4,818	17,958
	Parents receive referrals regarding their child's health and developmental concerns	5,217	5,624
	Parents are linked to referred services for their child's health and developmental concerns	2,369	2,562
	Parents receive informational materials regarding developmental milestones and development	17,067	17,236
	Children receive vision screening	10,257	11,246
	Children receive hearing screening	9,731	10,427
	Children receive body composition and stature screening (height, weight, Body Mass Index)	9,838	10,103
	Children receive health status screening (e.g., asthma, allergies, etc.)	11,638	12,011
	Children receive behavior health screening using Commission-approved tool	1,049	1,048
Children receive comprehensive screening (Includes: vision, hearing, height, weight, health, and developmental milestones using PEDS or ASQ)	9,712	10,096	

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
	Children receive assessment (e.g., vision, hearing, speech/language, psychosocial issues, motor skills, health, special needs, and/or parent-child functioning)	969	7,700
HC.3 Children have and use a regular place for medical and dental care	Children are assisted, linked with their health insurance enrollment	4,753	3,891
	Children are linked to a health care home	4,863	5,100
	Children receive primary care services/visits, including well child and sick visits	17,493	89,732
	Children are linked to a dental home	2,333	2,343
	Children receive a dental screening	16,728	17,724
	Children receive preventative dental treatment (e.g., cleaning, sealant)	10,785	13,646
	Children receive restorative dental treatment (e.g., carries)	929	2,379
	Children receive emergency dental treatment (e.g., abscess)	15	54
	Children with special needs receive dental care	679	1,410
	Parents receive training on oral health	9,568	11,311
	Children receive oral health education	11,728	12,330
	Providers receive oral health education	490	525
HC.4 Children grow up healthy	Mothers receive breastfeeding education, intervention and support	15,994	16,484
	Children enrolled in multi-disciplinary weight loss and/or physical activities program	236	512
	Children receive nutrition and physical activity education	1,004	1,004
	Children screened for up to date immunizations	20,603	52,296
	Children receive specialty care clinic visits	977	3,590
	Children receive specialty care follow-up clinic visits	24	969
	Parents receive home visits focused on ongoing medical surveillance and linkage to appropriate referrals	133	655
	Parents receive specialty care education, resources, referrals, and support	8,595	13,451
	Providers receive specialty care education	384	123
SF.1 Families are stably housed	Children receive emergency or transitional shelter (bed nights)	838	63,470
	Family members emergency or transitional shelter (bed nights)	1,130	89,574
	Parents receive weekly case management services	824	4,432
SF.2 Children	Parents receive home safety checks	2,269	2,794

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
are safe and well cared for	Parents receive training about preventable injuries and deaths	547	547
	Parents receive information and materials regarding preventable injuries	218	218
	Home visitors and/or program staff will assess and provide service plans to improve parent knowledge of healthy child development using a Commission-approved tool	593	1,173
	Home visits to improve parent knowledge of healthy child development	3,826	22,344
	Office visits to improve parent knowledge of healthy child development	14,064	19,566
	Parents participate in parenting education classes/series on healthy child development	17,508	8,464
	Children receive health education classes	10,618	1,711
	Children receive group interventions to improve healthy child development	248	736
	Providers receive consultations to improve provider knowledge of healthy child development	1,016	1,315
	SF.3 Caregivers have ready access to family support services and resources	Mothers are screened with the Bridges Screening Tool	13,032
Parents receive referrals to services		6,392	6,994
Parents receive referrals to MCHN programs		2,327	2,327
Parents receive referrals to non-MCHN programs		10,869	40,230
Providers receive referrals to services		687	953
Parents receive follow up on referrals and services are accessed		14,910	24,322
Kits for New Parents distributed		19,358	19,358
Family support and child development teacher trainings		39	97
SF.4 Families have resources to support the management and treatment their child's behavioral health needs	Children receive behavioral health treatment services	760	7,515
	Providers are educated to increase awareness and identification of behavioral health issues	621	1,343
	Providers receive training on behavioral health treatment services for children 0-5	308	1,151
	Parents receive education, resources, referrals, and support regarding their child's behavioral health issues	448	2,400
	Parents receive behavioral health screening	503	503
EL.1 Children have the	Children read to at physician's offices or clinics	22,195	20,585

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
developmental skills* to be proficient learners in school *Early literacy/ numeracy, self-regulation, social expression, and self-care and motor skills	Parents participate in a program designed to increase the frequency of reading at home	11,241	454,660
	Children participate in a program designed to increase the frequency of reading at home	36,351	491,494
	Parents receive literacy information/assistance in waiting rooms or community events	22,544	23,154
	Provider will recruit and support pediatrician offices to participate in Reach Out Read National Program	18	6
	Books distributed to children	N/A	135,216
	New and used books collected for distribution	N/A	133,637
	Children participating in early math programs	7,795	878,210
	Parents receive speech and language services	1,515	1,970
	Children receive speech and language services	1,546	6,087
	Providers receive training on speech and language services	73	71
	Providers will conduct classroom assessments using an established tool such as ECERS or ELLCO	420	451
	Providers are given resources and early intervention strategies for appropriate early care	1,909	4,508
	Providers receive CARES Plus Trainings	785	4,150
	Children receive center-based early care and education services other than preschool	497	12,510
	Children receive enhanced school readiness services through other preschool programs	357	2,841
	EL.2 Schools are ready for children when they enter kindergarten	Parents participate in a drop-in, family-focused early learning program (i.e., Learning Link)	4,126
Children participate in a drop-in, family-focused early learning program (i.e., Learning Link)		3,430	62,091
Children visit Kindergarten classrooms prior to start of school year		7,769	7,661
School readiness and child development teacher trainings		74	74
EL.3 Parents have the supports that	Provide coaching and in-class training for early educators	45	331
	Children's health and development records are transferred to their elementary school prior to entering kindergarten	7,331	7,430

Table 3. Services Provided by All Commission-Funded Programs

Strategic Plan Outcome	Service	Clients Served	Number of Services
contribute to children's readiness for school success			
CB.1 Increase sustainability	Dollar amount raised	N/A	\$17,320,735
	Dollar amount received by leveraging Commission dollars	N/A	\$4,645,244
	Dollar amount of in-kind contribution generated	N/A	\$74,021
	CSP match dollars submitted	N/A	\$1,951,680
	Number of volunteers recruited	1,476	1,476
CB.2 Increase access and efficiency, quality and effectiveness	Public information and outreach campaign to increase community awareness to promote access	31,136	17,277
	Children with special needs served	10,454	10,454
	Providers receive trainings to build the capacity of the agency to increase quality services	2,726	652
	Parents receive transportation to health or social services	350	350
	Children 0-5 receive transportation to health or social services	383	384
	Children 0-5 received specialized child care	263	263

Table 4. Service Outcomes for All Commission-funded Programs

Key Strategic Plan Objectives	SOQ Results
Healthy Children	
<ul style="list-style-type: none"> Increase to at least 90% the proportion of all pregnant women who receive early prenatal care, and decrease racial/ ethnic disparities 	<ul style="list-style-type: none"> 92.4% of mothers received prenatal care in the first trimester
<ul style="list-style-type: none"> Increase to at least 95% the proportion of children who have a health care home 	<ul style="list-style-type: none"> 96.8% of children had a health home at the end of services (compared to 93.1% at the beginning of services)
<ul style="list-style-type: none"> Increase to 100% the number of children with health coverage 	<ul style="list-style-type: none"> 98.1% of children served had health insurance at the end of services (compared to 92.3% at the beginning of services)
<ul style="list-style-type: none"> Increase age appropriate immunization levels to at least 95% 	<ul style="list-style-type: none"> 94.6% of children received all age appropriate immunizations at the end of services (compared to 62.7% at the beginning of services)
<ul style="list-style-type: none"> Reduce dental cavities so that the proportion of young children with one or more cavities is no more than 9% 	<ul style="list-style-type: none"> 94.6% of children had no cavities at the end of services (compared to 58.5% at the beginning of services)
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 67.7% of children referred for services received or were linked to the service for which they were referred
Strong Families	
<ul style="list-style-type: none"> Reduce the number of children who are homeless to zero 	<ul style="list-style-type: none"> 33.1% of children were stably housed at the end of services (compared to 4.2% at beginning of services)
<ul style="list-style-type: none"> Reduce the number of children who are homeless to zero 	<ul style="list-style-type: none"> 48.2% of children had a regular childcare arrangement at the end of services (compared to 31.4% at the beginning of services)
Early Learning	
<ul style="list-style-type: none"> Increase parents' knowledge and involvement in preparing children for school 	<ul style="list-style-type: none"> 74.3% of parents taught their children letters, numbers, or words at least three times in the prior week (compared to 70.6% at the beginning of services)



Children & Families
Commission
of Orange County

(a Component Unit of
Orange County, CA)

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, 2014

Prepared by:

Michael Garcell, CPA

Finance Manager

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2014**

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October 1, 2014

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

Dear Commissioners,

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

The CAFR has been audited by the independent certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the Commission for the year ended June 30, 2014, 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, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Commission

The Commission was established by the Orange County Board of Supervisors in September 1999 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development. The Commission's activities have been built to develop, adopt, promote and implement programs to support early childhood development. Since inception, the Commission has made a lasting positive impact in Orange County through its expenditures of almost \$650 million toward grants, programs and operations that improve the well-being of young children and families in Orange County support the Commission's vision of every child "healthy and ready to learn".

Relevant Financial Policies

Financial Plan

In November 2013, the Children and Families Commission reviewed the updated Long Term Financial Plan (LTFP). The LTFP, which is reviewed annually to incorporate the prior year-end financials as well as updated revenue projections, continues to anticipate annual decreases in Proposition 10 tobacco tax collections. Since its peak in 2000, the Commission has had an overall reduction of over 45% in revenue, and tobacco revenue is projected to continue to decline at a rate of 3% to 4% annually. Given this decline, the Commission directed staff to develop three-year funding renewal recommendations in anticipation of program grants with termination dates of June 30, 2014, working under the direction of Commissioner-led funding renewal panels. Three panels were convened in December 2013 and January 2014 to review and provide direction to staff.

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

- Brought annual program funding levels closer in line with projected annual revenue
- Adhered to the Commission fiscal policy guidelines of maintaining a 25% reserve against the annual operating budget and limits administrative expenses to less than 10%
- Provided level program funding for the projected planning horizon (through FY 2022/23), assuming actual revenue is realized as planned.

Strategic Plan

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

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

As Proposition 10 revenues continue to decline, achieving the mission requires the Commission to be increasingly innovative and creative in working with community partners and other funders to develop sustainable services. This is not a new role, but a relatively larger emphasis as the Commission looks ahead to the next 15 years. This new focus is reflected in the Commission's catalytic investment strategies that are helping to develop resources to better leverage regional, state and national funders as well as bringing additional state and federal dollars to Orange County.

The Commission has increasingly led and initiated efforts to integrate, mobilize and expand services to build a system of prevention and early intervention services for young children and their families.

Recent examples include expanding access to developmental screenings, vision services and currently working with homeless shelter providers and other community partners to develop a coordinated data entry and intake system to streamline the process of connecting families with emergency and transitional shelters.

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

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

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

Other Financial Information

Internal Control

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

Budgetary Control

The objective of budgetary control is to ensure that spending is limited to the total amount authorized by the Board of Commissioners. The initial budget for fiscal year 2013-2014 was adopted on March 6, 2013 with subsequent adjustments approved on October 2, 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, 2013. This was the third consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Commission must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United State of America and applicable legal requirements.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Christina Altmayer".

Christina Altmayer
Executive Director

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
BOARD OF COMMISSIONERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

COMMISSION BOARD MEMBERS (9)

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

Hugh Hewitt (A)
Vice Chair

Sandra Barry (A)
Chair Pro-tem

Katherine Ahn, DDS (A)

Kimberly Cripe (A)

Janet Nguyen (M)
Board of Supervisors

Sandra Pierce (A)

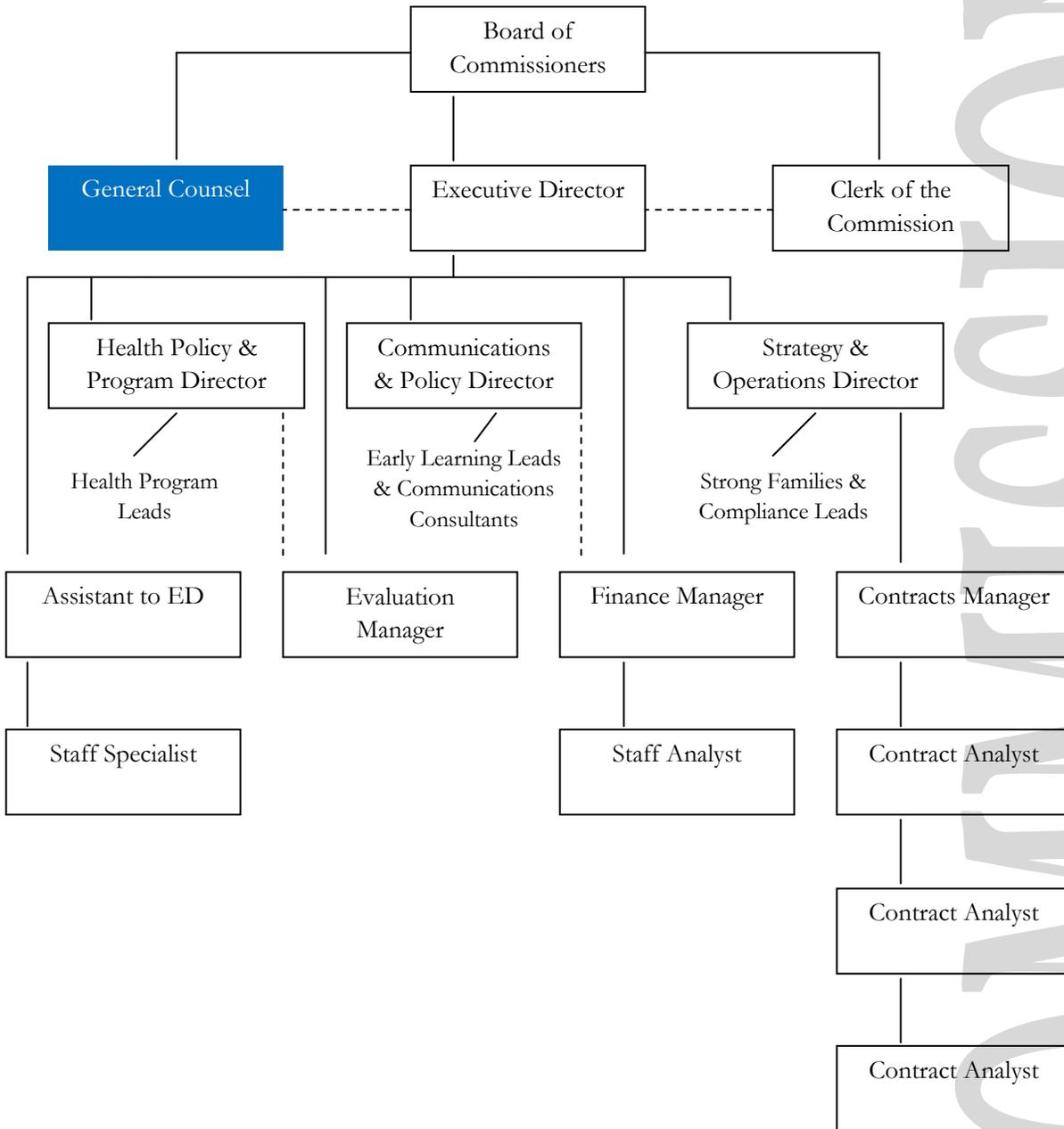
Mark Refowitz (M)
Health Care Agency

Michael F. Ryan (M)
Social Services Agency

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

COMMISSION

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
ORGANIZATION CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**





Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2014, 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 the general fund of the Commission as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 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 22, 2014, 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.



Laguna Hills, California
September 22, 2014

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

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, 2014. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The assets of the Commission as reported on the Statement of Net Position exceeded its liabilities by \$64.7 million at the end of the current fiscal year, a decrease of \$7.7 million (10.6%) from the prior fiscal year. The decrease is due to Round 1 and 2 Catalytic expenditures above the Commission's annual program budget as well as the use of fund balance to fund the program operations to the amount expenses exceeded revenue.
- As of June 30, 2014, the Commission's governmental fund statements reported an ending fund balance totaling \$61.7 million, a decrease of \$10.2 million (14.2%) from the prior fiscal year.
- Consistent with the implementation of GASB 54, the total ending fund balance of \$61.7 million was classified into the appropriate categories. The Commission's breakdown is as follows: \$10.8 million as non-spendable, \$34.6 million as committed, and \$16.4 million as assigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the Commission's assets 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, 2014**

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

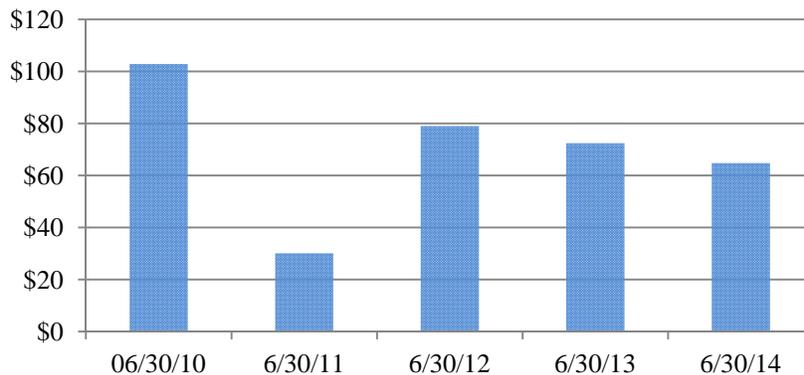
Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, net position was \$64.7 million at the end of the current fiscal year, a 10.6% decrease from the prior fiscal year. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2014 and June 30, 2013.

The Commission's net position as of June 30, 2014 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

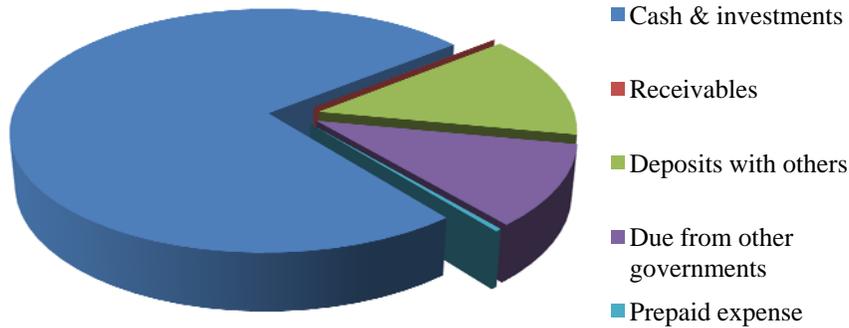
	FY 2013-14	FY 2012-13	Percent Increase (Decrease)
Assets:			
Cash and investments	\$57,491,881	\$69,280,830	-17%
Imprest cash	10,000	15,000	-33.3%
Interest receivable	19,262	19,931	-3.4%
Due from County of Orange	10,213	881	1,059%
Due from other governments	8,203,601	5,836,164	40.6%
Prepaid expense	282,162	243,435	15.9%
Deposit with others	10,500,000	5,380,606	95.1%
Total assets	<u>\$76,517,119</u>	<u>\$80,776,847</u>	-5.2%
Liabilities:			
Accounts payable and accrues liabilities	\$4,873,567	\$2,847,704	71.1%
Due to County of Orange	12,390	9,593	29.2%
Due to other governments	4,673,268	3,673,252	27.2%
Retentions payable	2,089,548	1,634,093	27.9%
Accrued wages and benefits	74,232	70,254	5.7%
Compensated absences:			
Payable within one year	74,971	77,336	-3.1%
Payable after one year	28,608	53,482	-46.5%
Total liabilities	<u>11,826,584</u>	<u>8,365,714</u>	41.4%
Net Postion:			
Unrestricted	64,690,535	72,411,134	-10.6%
Total net position	<u>\$64,690,535</u>	<u>\$72,411,134</u>	

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



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

**Assets
As of June 30, 2014**

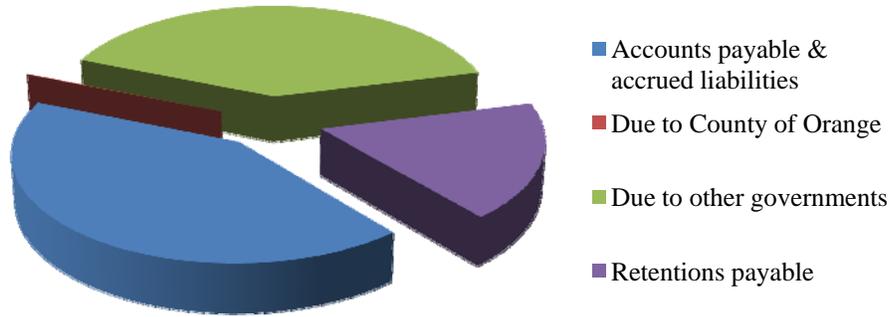


Assets, Current and Other

- Cash and investments totaled \$57.5 million. All of the \$57.5 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 \$8.2 million. Of this amount, \$4.8 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2014 allocations and \$3 million for First 5 California program revenue for the CARES Plus, Child Signature Program RFA#2, and Child Signature Program RFA#3 programs. First 5 California program revenues of approximately \$3 million were not received within the Commission's period of availability and, as such, are recorded as deferred inflows on the Governmental Fund Balance Sheet.
- Deposits with others totaled \$10.5 million represents funds advanced or transferred to contractors for services not provided by June 30, 2014. \$6.25 million was transferred for Emergency Shelter Catalytic programs and \$4.25 million is remaining for Early Literacy and Math programs.
- Other current assets totaled \$0.3 million consisting of \$0.02 million in interest receivable and \$0.28 million in prepaid expense.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

**Liabilities
As of June 30, 2014**



Liabilities

- Accounts payable and due to other governments totaling \$9.5 million. Payables to grantees for services not yet billed at June 30, 2014 are based on established contract terms.
- Retentions payable totaling \$2.1 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.
- Other current liabilities totaling \$0.2 million consisting of amounts due to the County of Orange and accrued wages, benefits and compensated absences.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

Changes in Net Position

For the year ended June 30, 2014, current year operations decreased the Commission's net position by \$7.7 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, 2014 and June 30, 2013.

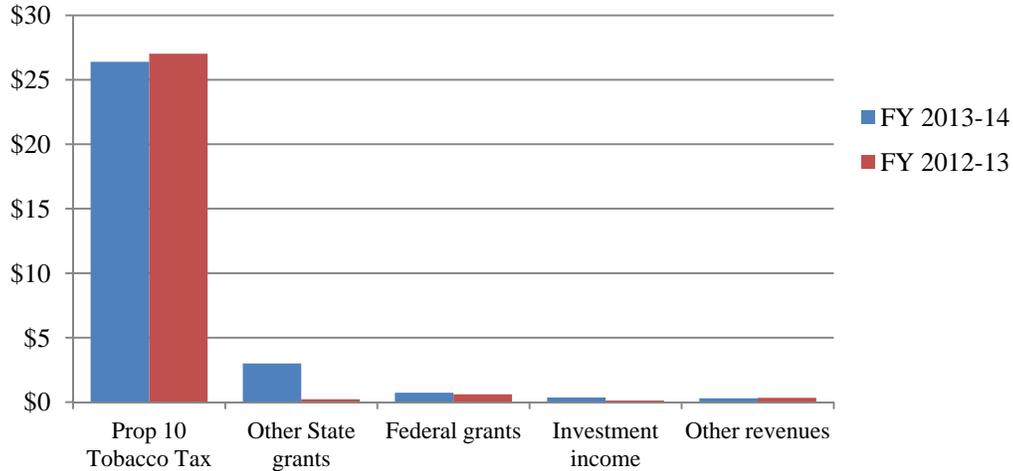
	FY 2013-14	FY 2012-13	Percent Increase (Decrease)
Revenues:			
Program Revenues			
Tobacco taxes	\$26,395,725	\$27,024,505	-2.33%
Other State operating grants and contributions	3,165,906	327,675	866.17%
Interest income earned on tobacco taxes at the State	7,071	9,588	-26.25%
Federal operating grants and other contributions	724,612	828,941	-12.59%
Total program revenues	<u>30,293,314</u>	<u>28,190,709</u>	7.46%
General Revenues			
Investment income	349,366	122,358	185.53%
Other revenues	56,520	159,344	-64.53%
Total general revenues	<u>405,886</u>	<u>281,702</u>	44.08%
Total revenues	<u>30,699,200</u>	<u>28,472,411</u>	7.82%
Expenses:			
0-5 Child development programs	36,672,235	33,341,947	9.99%
Salaries and benefits	1,747,564	1,704,815	2.51%
Total expenses	<u>38,419,799</u>	<u>35,046,762</u>	9.62%
Change in net position:	(7,720,599)	(6,574,351)	
Net position – July 1	72,411,134	78,985,485	
Net position – June 30	<u>\$64,690,535</u>	<u>\$72,411,134</u>	-10.66%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

Total revenues

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

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



- *Program revenues*

The Commission's program revenues totaled \$30.3 million in FY 2013-14 and accounted for 98.7% of total revenues. This represented an increase of \$2.1 million (7.5%) from FY 2012-13 program revenues.

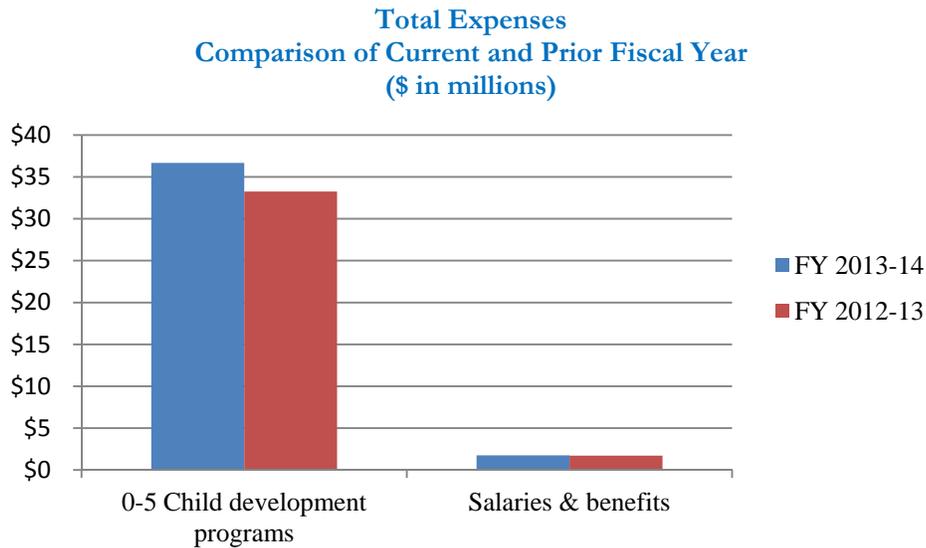
- Tobacco Tax revenue includes revenues from taxes levied on tobacco products by the State of California and distributed amongst all counties based on the percentage of county birthrates as established in Proposition 10. This revenue decreased by \$.63 million (-2.3%) from the prior fiscal year.
 - The California Children and Families Commission (First 5 California) forecasted a decline of 3% 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, Child Signature Program RFA#2, and Child Signature Program RFA#3. The Commission applied for and was awarded CARES Plus Round 2 and Child Signature Program RFA#3 grants funding for the first year in FY 2013-14 and therefore, the revenue increased by \$2.8 million from the prior fiscal year.
- Federal operating grants includes revenues from federal grant programs of VISTA, MAA (Medical Administrative Activities), and ARRA Health Research grant. These revenues decreased by \$0.1 million (-13%). This decrease is due to ARRA Health Research grant ending in September 2013.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

- *General revenues*
The Commission's general revenues totaled \$0.4 million in FY 2013-14 and accounted for 1.3% 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, increased by \$0.23 million from the prior fiscal year. The increase in investment income from the Orange County Investment Pool (OCIP), which is administered by the County Treasurer, is due to the overall returns in the fixed income markets combined with the fair value adjustments posted for the Commission's proportionate share in the county investment pool at year end.

Governmental Activities Expenses

Total expenses increased by \$3.3 million (10%) from the prior fiscal year. The increase is due to Catalytic Round 1 and 2 program spending and the first year of First 5 Child Signature Program RFS#3 and CARES Plus Round 2. \$5.3 million in Catalytic funding was expensed during the fiscal year. FY 2013-14 was the second year for Round 1 and 2 Catalytic funding. Nearly \$3 million was expensed in FY 2013-14 for the first year of First 5 Child Signature Program and CARES Plus Round 2 programs. Other zero-to-five child development programs totaling \$28.3 million decreased by \$4 million or 1.4%.



- Zero-to-five child development programs increased by \$3.3 million (10%) from the prior fiscal year to fund programs serving children and families within the Commission's four strategic goal areas of Healthy Children, Ready to Learn, Strong Families and Capacity Building. Reduced program spending is a component of the Commission's long-term financial plan. Prop 10 tobacco tax revenue has been and will continue as a declining revenues source. To focus on sustainability and service delivery while allowing for decreased revenue, the long-term financial plan incorporates a step-down approach to annual program funding over the next ten years.
- Salaries and benefits increased by \$0.43 million (2.5%) from the prior fiscal year due to increases in retirement and healthcare benefit costs.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND STATEMENTS

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

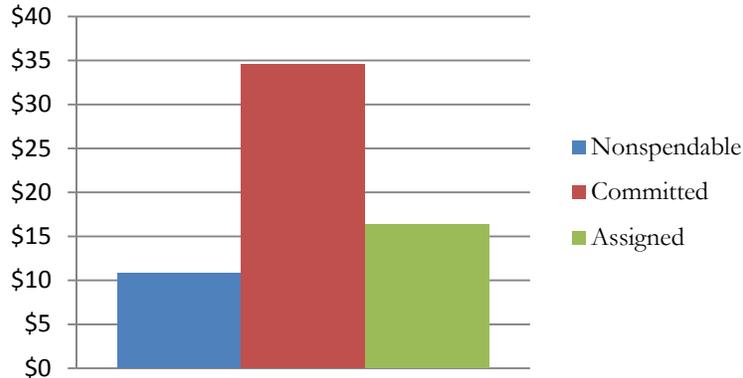
Governmental Funds

The activities are contained in the general fund of the Commission. The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources, both committed and available for future operational needs.

As of the end of the current fiscal year, the Commission's general fund reported total ending fund balance of \$61.7 million, a decrease of \$10.2 million (14.2%) in comparison with the prior fiscal year.

Total fund balance decreased due to the second year of funding for Catalytic programs in the amount of \$5.3 million. The remaining decrease of \$4.9 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, 2014
(\$ in millions)**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

General Fund Budgetary Highlights

Budget Amendments

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

- Total budgeted revenues were increased by \$4.5 million. The amendments were based on prior-year actual receipts of tobacco tax distributions and the establishment of budgeted revenues for CARES Plus, the Child Signature Program, and VISTA grants.
 - Tobacco tax revenues - decrease of \$0.68 million based on prior-year receipts. Actual FY 2012-13 tobacco tax revenue was \$0.9 million below the forecast. Budgeted tobacco tax revenue was adjusted to align with the lower than expected FY 2012-13 receipts and reflect a 3% decrease.
 - Other state operating grants - increase of \$4.9 million was due to First 5 California, federal grant revenues, and partner reimbursements to be received through program grants. The federal AmeriCorps VISTA program revenue line item was increased by a total of \$0.65 million to account for the FY 2013-14 federal award received by the Commission and reimbursements from other participating program partners. The remaining increase was for grant awards from First 5 California for the CARES Plus and Child Signature Programs.
- Total budgeted appropriations were increased by \$55 million in the 0-5 child development program expenditures line items. The major components of the increase are summarized as follows:
 - Healthy Children - increase of \$1.1 million for the carryover of prior year unspent funds. The majority of the carryover funds were for Community Clinics and Pediatric Health Services programs.
 - Strong Families - increase of \$0.09 million for the carryover over of prior year unspent funds in Homeless Prevention and Family Support programs.
 - Early Learning - increase of \$0.08 million for the carryover over of prior year unspent funds in Early Learning programs. An increase of \$4.6 million was included in the amended budget for the First 5 California CARES Plus and Child Signature Programs. Another \$1 million was added for Early Learning Programs.
 - Capacity Building – increase of \$0.25 million for carryover of prior year unspent funds in Capacity Building Grants and \$0.64 million in new appropriations to VISTA for reimbursable expense through the federal grant award.
 - Catalytic Round 1 and 2 Program Funding was increased by \$48 million to include the remaining Catalytic Funds not expensed in prior years.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

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 2013-14 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 2013-14 by \$3.9 million. Revenues from the First 5 programs were not received during the Commission's period of availability and have been recorded as deferred inflows. The revenue from the First 5 programs will be recognized on the Commission's FY 2014-15 fund financial statements.
- Total budgeted appropriations exceeded actual expenditures in FY 2013-14 by \$49 million largely due to the timing of Catalytic program implementations and funding.
 - 0-5 child development program expenditures were less than budgeted appropriations by \$3.9 million. The variance is due to an accumulation of various programs under-spending and the timing of program cost recognition. Budgeted funding amounts for programs delayed or extended will be carried over into the following year's budget.
 - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.05 million due to savings from vacant positions during the current fiscal year.
 - Catalytic expenditures were \$5.3 million compared to the final budget of \$50.4 million. FY 2013-14 was the second 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 FY 2013-14 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 \$45.1 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>
	<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
Catalytic Matching Fund	<u>1,000,000</u>
	<u>\$10,000,000</u>

Subtotal	<u><u>\$55,000,000</u></u>
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**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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

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

REQUESTS FOR FINANCIAL INFORMATION

This comprehensive annual financial report is intended to provide the public with an overview of the Commission's financial operations and condition for the fiscal year ended June 30, 2014. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Children & Families Commission of Orange County, 1505 East 17th Street, Suite 230, Santa Ana, California 92705.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and investments in County Treasury	\$ 57,491,881
Imprest cash	10,000
Interest receivable	19,262
Due from County of Orange	10,213
Due from other governments	8,203,601
Prepaid expense	282,162
Deposits with others	<u>10,500,000</u>
 Total Assets	 <u>76,517,119</u>
LIABILITIES	
Accounts payable	4,873,567
Due to County of Orange	12,390
Due to other governments	4,673,268
Retentions payable	2,089,548
Accrued wages and benefits	74,232
Compensated absences:	
Payable within one year	74,971
Payable after one year	<u>28,608</u>
 Total Liabilities	 <u>11,826,584</u>
NET POSITION	
Unrestricted	<u>64,690,535</u>
 TOTAL NET POSITION	 <u><u>\$ 64,690,535</u></u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Revenues	Net (Expense) Revenue and Changes in Net Position
Expenses	Operating Grants And Contributions	Governmental Activities
Governmental Activities:		
Child development	\$ 38,419,799	\$ 30,293,314
	\$ 38,419,799	\$ (8,126,485)
General Revenues:		
Investment income		349,366
Miscellaneous		56,520
Total General Revenues		405,886
Change in Net Position		(7,720,599)
Net Position, July 1		72,411,134
Net Position, June 30		\$ 64,690,535

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2014

	General Fund
ASSETS	
Cash and investments in County Treasury	\$ 57,491,881
Imprest cash	10,000
Interest receivable	19,262
Due from County of Orange	10,213
Due from other governments	8,203,601
Prepaid expense	282,162
Deposits with others	10,500,000
Total Assets	\$ 76,517,119
LIABILITIES	
Accounts payable	\$ 4,873,567
Due to County of Orange	12,390
Due to other governments	4,673,268
Retentions payable	2,089,548
Accrued wages and benefits	74,233
Total Liabilities	11,723,006
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Unavailable Revenue	3,075,769
Total Deferred Inflows of Resources	3,075,769
FUND BALANCES	
Nonspendable fund balance	10,782,162
Committed fund balance	34,561,184
Assigned fund balance	16,374,998
Total Fund Balances	61,718,344
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 76,517,119

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental fund	\$ 61,718,344
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.	(103,578)
Certain revenues in the governmental fund are not available 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>3,075,769</u>
Net position of governmental activities	<u><u>\$ 64,690,535</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, 2014**

	<u>General Fund</u>
REVENUES	
Prop 10 Tobacco Tax	\$ 26,395,725
Investment income earned on tobacco taxes at the State level	7,071
Other State operating grants and contributions	424,318
Federal operating grants	741,798
Investment income	349,365
Other revenue	282,705
Total Revenues	28,200,982
EXPENDITURES	
Current:	
Salaries and benefits	1,774,802
Expenditures related to the "Zero to Five" Programs	31,347,721
Catalytic Round 1 and 2 Program Funding	5,324,514
Total Expenditures	38,447,037
Change in Fund Balance	(10,246,055)
FUND BALANCE, July 1	71,964,399
FUND BALANCE, June 30	\$ 61,718,344

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net changes in fund balance - total governmental funds \$ (10,246,055)

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. 27,239

Certain revenues in the governmental funds are not available 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. This amount represents the net change in the unavailable revenues. 2,498,217

Change in net position of governmental activities \$ (7,720,599)

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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Prop 10 Tobacco Tax	\$ 26,894,886	\$ 26,213,770	\$ 26,395,725	\$ 181,955
Investment income earned on tobacco taxes at the State level	-	-	7,071	7,071
Other State operating grants and contributions	105,000	4,716,000	424,318	(4,291,682)
Federal operating grants	457,056	822,432	741,798	(80,634)
Investment income	150,000	150,000	349,365	199,365
Other revenue	-	250,468	282,705	32,237
Total Revenues	<u>27,606,942</u>	<u>32,152,670</u>	<u>28,200,982</u>	<u>(3,951,688)</u>
EXPENDITURES				
Current:				
Salaries and benefits	1,824,080	1,824,080	1,774,802	49,278
Expenditures related to the "Zero to Five" Program	28,299,352	35,243,517	31,347,721	3,895,796
Catalytic Round 1 and 2 Program Funding	2,500,000	50,370,697	5,324,514	45,046,183
Total Expenditures	<u>32,623,432</u>	<u>87,438,294</u>	<u>38,447,037</u>	<u>48,991,257</u>
Net Change in Fund Balance	(5,016,490)	(55,285,624)	(10,246,055)	52,942,945
FUND BALANCE, July 1	<u>71,964,399</u>	<u>71,964,399</u>	<u>71,964,399</u>	-
FUND BALANCE, June 30	<u>\$ 66,947,909</u>	<u>\$ 16,678,775</u>	<u>\$ 61,718,344</u>	<u>\$ 52,942,945</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, 2014

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Accounting and Measurement Focus

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

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

Government-Wide Financial Statements

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

The government-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting all assets 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 are classified as:

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Government-Wide Financial Statements, (Continued)

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

Fund Financial Statements

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission has one type of deferred inflow, unavailable revenue, which occurs only under a modified accrual basis of accounting. Accordingly, the items is reported only in the governmental fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital assets, net of accumulated depreciation

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Deferred Inflows - Unavailable 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 recognized as deferred inflows in the fund financial statements. Unavailable revenue of \$2,498,217 at June 30, 2014 was recognized as revenue in the government-wide financial statements.

Long-Term Liabilities

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

Due to other governments

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

Retentions payable

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

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, 2014.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Budget and Budget Reporting

The Commission is required by County ordinance to prepare a budget each year based on estimates of revenues and expected expenditures. The Commission's Board of Commissioners adopted an annual budget of expenditures for the year ended June 30, 2014, which is prepared on the modified accrual basis of accounting. The accompanying statement of revenues, expenditures and changes in fund balance – budget and actual includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level.

Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. With the implementation of GASB 54, the Commission established the following classifications and definitions of fund balance for the year ended June 30, 2014:

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

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

Committed - Resources with self-imposed limitations and require both the approval of the highest level of decision making authority (Board of Commissioners) and the same formal action to remove or modify the limitations. These commitments include legally enforceable multi-year contracts not yet spent, specific agreements approved but not yet executed, and minimum fund balance reserves.

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

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

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

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

Encumbrances

The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

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 implemented this statement effective July 1, 2013.

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 determined that this statement does not have a material impact on the financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

Effective This Fiscal Year (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 determined that this statement does not have a material impact on the financial statements.

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 determined that this statement does not have a material impact on the financial statements.

Effective in Future Fiscal Years

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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

Effective in Future Fiscal Years (Continued)

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Commission 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	\$ 57,491,881
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 57,501,881</u>

Cash and investments consisted of the following at June 30, 2014:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 57,491,881
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 57,501,881</u>

Investments Authorized by the California Government Code and the Orange County Investment Policy Statement

The table below identifies the investment types that are authorized by the California Government Code or the Orange County Investment Policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the Orange County Investment Policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 Years	100%	None
U.S. Government Agency Securities	5 Years	100%	30%
Municipal Debt	5 Years	30%	10%
Medium-Term Notes	5 Years	30%	5%
Bankers Acceptances	180 Days	40%	5%
Commercial Paper	270 Days	40%	5%
Negotiable Certificates of Deposits	5 Years	30%	5%
Repurchase Agreements	1 Years	20%	10%
Mutual Funds	N/A	20%	10%
Investment Pools	N/A	20%	10%
Orange County Investment Pool	5 Years	None	None

The Commission is a participant in the County Treasurer’s Orange County Investment Pool (OCIP). The County’s Investment Policy Statement establishes policies governing the Pool. The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2014, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The fair value adjustment at June 30, 2014 decreased the Commission’s investment income by \$46,030. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission (“State Commission”) for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2014, were as follows:

Due from State Commission:

Prop 10 revenue for:

May 2014	\$ 2,375,010
June 2014	2,444,752
Surplus Money Investment Fund Allocations	7,071
First 5 CARES Plus Program	269,033
First 5 Child Signature Program RFA #2	17,715
First 5 Child Signature Program RFA #3	2,629,072

Due from other governmental agencies for:

Medi-Cal Administrative Activities (MAA)	159,948
Vista funds	301,000

Total Due from Other Governments	\$ 8,203,601
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**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4 – DUE TO OTHER GOVERNMENTS

The due to other governments account represents amounts due to the Regents of the University of California, Orange County school districts, and other local governmental agencies. The amounts due to the other governments at June 30, 2014, were as follows:

Due to government agencies:

FY 2013-2014 Contract Payment Accruals	\$ 4,673,268
Total Due to Other Governments	\$ 4,673,268

NOTE 5 – COMPENSATED ABSENCES

The vested compensated absences liability balance at June 30, 2014 consists of the following activity:

Balance		Balance	Due Within
July 1, 2013	Increases	June 30, 2014	One Year
\$130,818	\$72,026	\$103,579	\$74,971

NOTE 6 – FUND BALANCE (GASB 54)

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, 2014 consist of the following:

	June 30, 2014
Nonspendable:	
Prepaid retirement	\$ 282,162
Deposits with Others	10,500,000
	10,782,162
Committed for:	
Catalytic Round 1 and 2 programs	34,561,184
Assigned for:	
Approved contracts	16,374,998
Total fund balance	\$ 61,718,344

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 – FUND BALANCE (GASB 54) (Continued)

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2014-2015. Refer to Note 8 for further details. Also included in Nonspendable are Catalytic funding amounts transferred to grantees for services not provided by June 30, 2014.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2014 for FY 2014-2015 and future years of Commission Round 1 and 2 Catalytic funding.

Assigned for approved contracts – consists of FY 2014-2015 programs that were approved by Commission action and included in the FY 2014-2015 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.

OCERS provides retirement, disability and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership. Tier 1 members were hired prior to September 21, 1979 and use their highest one-year average salary to determine their retirement allowance while Tier II members were hired after September 21, 1979 and use their highest three-year average salary to determine their retirement allowance. All regular employees scheduled to work 20 hours or more per week become members of the plan upon commencing employment with one of OCERS's plan sponsors, except for certain elected officials who have to elect to participate in OCERS. Active members are categorized as vested upon accumulating five years of accredited service or attaining the age of 70. 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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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 32.50% for the year ended June 30, 2014. 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 7.59% for the year ended June 30, 2014.

The Commission's annual required contribution to OCERS was \$365,230 for the year ended June 30, 2014. 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>
6/30/2012	\$ 412,774	100.00%
6/30/2013	345,038	100.00%
6/30/2014	365,230	100.00%

Prepayment of 2014-2015 contributions. In July 2013, the OCERS Board of Retirement authorized the offer of a 7.25% discount to plan sponsors for the early payment of their employer contributions for FY 2014-2015. Subsequently, the Commission authorized the pre-payment of \$329,882 in January 2014. As of June 30, 2014, \$282,162 remained in the prepayment account and will be applied towards the Commission's employer required OCERS contributions for FY 2014-2015.

NOTE 9 – COMMITMENTS

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

FY 2014-15	\$ 68,607
FY 2015-16	68,607
FY 2016-17	22,869
	<u>\$ 160,083</u>

Rent expense was \$128,706 for the year ended June 30, 2014.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 was \$62,377. The Commission incurred expenses totaling \$532,074 for all other County services provided during the year ended June 30, 2014. The amount owed to the County of Orange for related party transactions at June 30, 2014 was \$12,390.

The Commission paid \$1,721,108 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, 2014, the Commission expended \$802,423 for program evaluation.

NOTE 12 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. In accordance with the Commission's participation agreement entered into in July 2007, the Commission is a participant in the County of Orange Retiree Medical Plan (the Plan). The County of Orange has established the Plan as a single-employer defined benefit retiree medical plan. The Plan provides a grant for medical benefits to eligible retirees and their dependents and lump-sum payments for employees separating from employment prior to being eligible for the grant. The County Board of Supervisors maintains the authority to establish and amend the Plan's benefit provisions. The financial statements and required supplementary information of the Plan are included in the County of Orange's fiscal year 2013-2014 Comprehensive Annual Financial Report (CAFR). The Commission is reported in the County's CAFR as a discretely presented component unit. That report may be obtained by contacting the County of Orange, Auditor Controller, 12 Civic Center Plaza, Room 200, Santa Ana, California 92702.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014**

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

Funding Policy. The contribution requirements of plan members and the Commission are those established for the County of Orange and may be amended by the County Board of Supervisors. For the fiscal year ended June 30, 2014, the Commission was required to contribute 3.96% of covered payroll. The contractually required contribution was determined by the County of Orange, as the percentage actuarially determined in accordance with the parameters of GASB 45. The Annual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period of thirty years. The Commission’s contributions to the Plan for the fiscal year ended June 30, 2014 were \$41,854 which equaled the required contributions. Plan members are currently not required to contribute to the plan, but retirees are required to pay for the cost of the retiree medical benefits in excess of their grant amount.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2012	\$ 33,639	100.00%
6/30/2013	42,646	100.00%
6/30/2014	41,854	100.00%

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

CARES Plus is designed to improve the quality of early learning programs by focusing on increasing the quality, effectiveness, and retention of early educators. As a statewide professional development program, its main objectives are to improve both the quality of early learning programs, and ultimately, learning and developmental outcomes for young children. Commission claimed \$269,033 in CARES Plus Phase II reimbursable expenses for the period ending June 30, 2014. Phase II funds have three to one Commission and program partner match to each dollar of First 5 funding.

The Child Signature Program primary purpose in Orange County is to increase quality in early learning programs for children zero to five in identified Early Childhood Education centers where the educational divide is greatest. The program focuses on providing quality improvement support through training and technical assistance to local centers. The Commission participated in Child Signature Program (CSP) RFA #2 and RFA #3 and claimed reimbursable expenses of \$90,171 and \$2,629,072 to First 5 California for the period ending June 30, 2014. CSP RFA #3 has a one to one Commission and program partner match to each dollar for First 5 funding.

OTHER SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF FIRST 5 CALIFORNIA FUNDING
YEAR ENDED JUNE 30, 2014**

First 5 California Funding

<u>Program Title</u>		Revenue*	
		<u>F5CA Funds</u>	<u>Expenditures</u>
CARES Plus Phase II	F5CA Program Funds	\$ 269,033	\$ 269,033
	County, Local Funds		879,460
CSP RFA #2	F5CA Program Funds	\$ 90,171	\$ 90,171
	County, Local Funds		-
CSP RFA #3	F5CA Program Funds	\$ 2,629,072	\$ 2,629,072
	County, Local Funds		3,084,802

* For the purpose of this schedule, the revenue reported, in amount of \$269,033 for CARES Plus Phase II, \$90,171 for Child Signature Program RFA #2, and \$2,629,072 for Child Signature Program RFA #3 represents the amount claimed by the Commission. For governmental fund or modified accrual financial reporting purposes, \$2,915,820 of this amount was identified as unavailable revenue as it was not received within the Commission's period of availability to recognize revenue as described in Note 1.

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

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

Page(s)

FINANCIAL TRENDS

38

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

REVENUE CAPACITY

46

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

DEMOGRAPHIC INFORMATION

49

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

OPERATING INFORMATION

52

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

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

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

STATISTICAL

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2013	2012	2011
Net investment in capital assets	\$ -	\$ -	\$ -	\$ 235
Unrestricted	64,690,535	72,411,134	78,984,810	30,063,595
Total net position	<u>\$ 64,690,535</u>	<u>\$ 72,411,134</u>	<u>\$ 78,984,810</u>	<u>\$ 30,063,830</u>



Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 798	\$ 2,301	\$ 5,121	\$ 7,942	\$ 11,419	\$ 16,213
102,842,804	122,720,258	142,142,025	151,578,753	152,265,738	146,184,260
<u>\$ 102,843,602</u>	<u>\$ 122,722,559</u>	<u>\$ 142,147,146</u>	<u>\$ 151,586,695</u>	<u>\$ 152,277,157</u>	<u>\$ 146,200,473</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2013	2012	2011
Expenses:				
Governmental activities:				
Salaries and benefits	1,747,564	1,704,815	2,094,872	2,290,308
Expenses related to "Zero to Five"	36,672,235	33,341,947	31,129,369	49,431,678
Services and supplies for State School				
Extraordinary Item: Accrual of AB99 liability				51,369,439
Total expenses	<u>38,419,799</u>	<u>35,046,762</u>	<u>33,224,241</u>	<u>103,091,425</u>
Program revenues:				
Governmental activities:				
Program revenues				
Prop 10 Tobacco taxes	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921
Operating grants and contributions				
Prop 10 State School Readiness				
First 5 CARES Plus	269,033	237,504	435,487	
First 5 Child Signature Program	2,719,243	90,171		
Other State operating grants and				
Federal operating grants	902,242	668,105	592,725	641,124
General revenues				
Investment income earned on tobacco taxes at the State Level (SMIF)	7,071	9,588	11,612	15,331
Investment income	349,366	122,358	481,976	818,294
Other revenue	56,520	320,180	265,632	26,983
Extraordinary Item: Reversal of AB99 liability			51,369,439	
Total revenues	<u>\$ 30,699,200</u>	<u>\$ 28,472,411</u>	<u>\$ 82,145,221</u>	<u>\$ 30,311,653</u>
Net (expense) revenue	<u>\$ (7,720,599)</u>	<u>\$ (6,574,351)</u>	<u>\$ 48,920,980</u>	<u>\$ (72,779,772)</u>



Fiscal Year					
2010	2009	2008	2007	2006	2005
2,415,467	2,439,415	2,323,471	2,258,080	2,241,058	1,675,442
46,836,184	54,377,591	51,331,591	42,972,440	36,171,992	46,969,598
6,844,534	5,660,307	5,959,517	5,856,371	4,921,544	4,232,963
<u>56,096,185</u>	<u>62,477,313</u>	<u>59,614,579</u>	<u>51,086,891</u>	<u>43,334,594</u>	<u>52,878,003</u>
\$ 29,706,126	\$ 33,396,055	\$ 35,494,096	\$ 37,356,314	\$ 39,332,323	\$ 40,175,154
4,349,489	4,294,144	4,114,774	1,706,125	2,554,681	3,698,878
145,834	104,166	352,597	669,897	330,598	476,537
752,152	1,020,269	1,020,556	2,237,302	307,741	4,601,132
82,000	82,479	190,332	430,669	203,588	871,949
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	176,257	210,602
<u>\$ 36,217,228</u>	<u>\$ 43,052,726</u>	<u>\$ 50,175,030</u>	<u>\$ 50,396,428</u>	<u>\$ 49,411,278</u>	<u>\$ 53,533,327</u>
<u>\$ (19,878,957)</u>	<u>\$ (19,424,587)</u>	<u>\$ (9,439,549)</u>	<u>\$ (690,463)</u>	<u>\$ 6,076,684</u>	<u>\$ 655,324</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

FUND BALANCES - GENERAL FUND

LAST TEN FISCAL YEARS

	Fiscal Year			
	2014*	2013*	2012*	2011*
FUND BALANCES				
Nonspendable fund balance	\$ 10,782,162	\$ 5,624,041	\$ 65,657	\$ 399,279
Restricted fund balance				
Committed fund balance	34,561,184	44,990,092	45,090,000	35,123,581
Assigned fund balance	16,374,998	21,350,266	33,560,512	
Unassigned fund balance				(5,547,385)
Total fund balances	<u>\$ 61,718,344</u>	<u>\$ 71,964,399</u>	<u>\$ 78,716,169</u>	<u>\$ 29,975,475</u>
Reserved				
Reserved for encumbrances				
Reserved for contractual obligations				
Reserved for capital projects				
Reserved for First 5 California initiatives				
Unreserved				
Designated for program operations				
Designated for future funding cycles and				
Unreserved				
Total fund balances				

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



Fiscal Year					
2010	2009	2008	2007	2006	2005
43,044,502	70,245,812	2,207,285	22,151,367	20,116,494	16,586,404
24,677,280	27,017,022	68,027,433		33,553,325	32,771,294
2,500,050	4,000,000	5,000,000			
		8,690,731	5,378,112		
2,495,502	3,128,463				
30,006,543	18,115,319	58,252,130	123,929,539	89,740,050	89,740,050
<u>\$ 102,738,877</u>	<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 TEN FISCAL YEARS

	Fiscal Year			
	2014	2013	2012	2011
Revenues:				
Prop 10 Tobacco taxes	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921
Prop 10 State School Readiness				
Other State operating grants and contributions				
First 5 CARES Plus	306,465	217,258	145,487	
First 5 Child Signature Program	117,853			
Investment income earned on tobacco taxes at the State Level (SMIF)	7,071	9,588	11,612	15,331
Federal operating grants	741,798	603,957	903,770	686,722
Investment income	349,365	122,358	481,976	818,294
Other revenue	282,705	320,180	90,786	26,983
Total revenues	<u>28,200,982</u>	<u>28,297,846</u>	<u>30,621,981</u>	<u>30,357,251</u>
Expenditures:				
Current:				
Salaries and benefits	1,774,802	1,708,344	2,094,972	2,320,099
Expenditures related to "Zero to Five" Program	31,347,721	28,712,645	31,155,080	49,431,115
Catalytic Round 1 and 2 Program Funding	5,324,514	4,629,302		
Services and supplies for State School Readiness program				
Capital outlay				
Total expenditures	<u>38,447,037</u>	<u>35,050,291</u>	<u>33,250,052</u>	<u>51,751,214</u>
Excess (deficiency) or revenues over (under) expenditures	(10,246,055)	(6,752,445)	(2,628,071)	(21,393,963)
Other Financing Sources (uses):				
Extraordinary Item: Accrual of AB99 liability				(51,369,439)
Extraordinary Item: Reversal of AB99 liability			51,369,439	
Total changes in fund balance	<u>\$ (10,246,055)</u>	<u>\$ (6,752,445)</u>	<u>\$ 48,741,368</u>	<u>\$ (72,763,402)</u>



Fiscal Year						
2010	2009	2008	2007	2006	2005	
\$ 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>\$ (19,782,739)</u>	<u>\$ (19,670,963)</u>	<u>\$ (9,281,439)</u>	<u>\$ 8,064,149</u>	<u>\$ 4,312,121</u>	<u>\$ (6,110,735)</u>	

FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY

Actual Tobacco Tax Revenues Received (1)	Orange County	State Total
2004/2005	\$40,175,154	\$474,651,747
2005/2006	\$39,332,323	\$468,897,022
2006/2007	\$37,356,302	\$451,562,723
2007/2008	\$35,527,837	\$442,394,748
2008/2009	\$33,396,055	\$424,449,499
2009/2010	\$29,706,126	\$381,995,574
2010/2011	\$28,809,921	\$374,284,018
2011/2012	\$28,988,350	\$377,690,133
2012/2013	\$27,024,505	\$360,434,399
2013/2014	\$26,395,725	\$347,802,124
<hr/>		
Projected Tobacco Tax Revenues (2)		
2014/2015	\$25,462,771	\$335,930,400
2015/2016	\$24,937,720	\$328,730,400
2016/2017	\$24,318,689	\$319,930,400
2017/2018	\$23,758,319	\$311,930,400

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

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

STATE OF CALIFORNIA - CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE
FY 1959-60 TO 2012-13

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
2012-13	\$782,115,000	\$6,705,000	\$788,820,000	\$498,000	\$82,548,000	30.68%
2011-12	\$820,322,000	\$7,032,000	\$827,355,000	\$1,017,000	\$80,424,000	31.73%
2010-11	\$828,831,000	\$7,105,000	\$835,937,000	\$1,308,000	\$77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	\$85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	\$79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	\$58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	\$40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	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/	3747.00%
1988-89	499,712,000 h/	4,273,000	503,984,000	4,968,000	\$9,994,000 h/	4167.00%
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 2012-2013 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2012-13

- 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.

STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2011-12

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

Source: State Board of Equalization 2012-2013: Annual Report Table 30B - Cigarette Distributions and Per Capita Consumption, 1959-60 to 2012-13

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

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

ORANGE COUNTY DEMOGRAPHIC DATA

	2013**	2012**	2011**	2010**	2009*	2008*	2007*	2006*	2005*	2004*
Total Population	3,094,522	3,071,933	3,047,120	3,017,327	2,998,820	2,982,790	2,965,829	2,955,425	2,957,137	2,956,473
White	1,325,608	1,331,095	1,334,890	1,336,843	1,363,087	1,383,364	1,392,586	1,405,485	1,423,283	1,439,227
Hispanic	1,072,585	1,052,849	1,032,608	1,010,752	1,008,604	986,104	972,550	961,383	953,194	943,436
Asian & Pacific Islander	566,995	560,714	554,923	549,149	510,352	499,281	488,521	478,200	471,594	466,022
Black	48,916	48,659	47,714	45,894	44,641	44,520	44,336	44,328	44,454	44,504
Other/Multi-Race	80,418	78,616	76,985	74,689	72,136	69,521	67,836	66,029	64,612	63,284
Female	1,562,316	1,551,728	1,540,252	1,526,396	1,512,752	1,505,167	1,496,612	1,491,352	1,491,824	1,490,897
Male	1,532,206	1,520,205	1,506,868	1,490,931	1,486,068	1,477,623	1,469,217	1,464,073	1,465,313	1,465,576
Under 5 years	193,558	191,523	190,153	190,574	194,723	200,988	202,945	206,581	211,862	215,185
5-9 years	196,003	196,823	196,567	197,334	200,944	206,588	209,284	211,386	214,222	218,740
10-14 years	202,789	204,947	208,217	210,213	209,260	218,622	222,735	226,066	228,892	229,527
15-19 years	219,990	223,769	226,967	228,147	222,780	219,706	215,560	211,947	209,182	206,124
20-24 years	230,044	225,683	220,121	215,348	209,857	210,065	209,122	208,119	207,329	205,261
25-34 years	430,186	425,060	420,397	414,942	411,027	407,538	406,889	410,873	420,513	433,062
35-44 years	421,542	427,604	433,018	436,662	447,102	463,117	468,042	472,297	477,416	481,743
45-54 years	450,868	450,425	448,793	444,935	443,950	431,378	422,705	413,346	405,181	397,440
55-59 years	199,644	192,644	185,367	177,331	172,474	165,260	163,804	161,041	157,034	152,133
60-64 years	159,901	156,275	154,221	148,668	142,894	132,056	125,167	120,075	116,676	113,220
65-74 years	219,389	208,929	197,489	189,614	183,812	171,707	166,405	162,709	160,296	158,012
75-84 years	117,083	115,359	114,165	113,374	111,930	111,338	110,392	109,762	108,681	107,286
85+	54,052	52,929	51,645	50,184	48,067	44,427	42,779	41,223	39,853	38,740

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.

LIVE BIRTHS, CALIFORNIA COUNTIES, 2003-2012 (By Place of Residence)*

COUNTY	YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CALIFORNIA	540,827	544,685	548,700	562,157	566,137	551,567	526,774	509,979	502,023	503,788
ALAMEDA	21,574	20,919	20,902	21,058	21,519	20,972	20,320	19,302	19,002	19,550
ALPINE	14	8	15	13	13	13	4	4	6	8
AMADOR	299	262	288	274	294	288	295	272	269	285
BUTTE	2,382	2,354	2,451	2,633	2,519	2,518	2,439	2,454	2,392	2,397
CALAVERAS	323	322	371	393	397	373	338	346	326	347
COLUSA	330	345	381	389	386	367	361	338	302	314
CONTRA COSTA	13,210	13,279	13,143	13,565	13,485	13,136	12,680	12,352	12,057	12,061
DEL NORTE	299	285	327	365	356	312	333	372	337	302
EL DORADO	1,751	1,897	1,930	2,036	1,881	1,814	1,719	1,618	1,629	1,513
FRESNO	15,401	15,896	15,936	16,876	17,291	16,760	16,273	16,281	16,157	15,953
GLENN	431	398	431	455	434	472	424	434	391	368
HUMBOLDT	1,444	1,509	1,598	1,643	1,599	1,601	1,542	1,551	1,448	1,511
IMPERIAL	2,908	2,861	3,058	3,127	3,148	3,221	3,145	3,072	3,075	3,041
INYO	198	214	205	250	212	226	239	192	213	219
KERN	12,888	13,455	14,022	15,104	15,328	15,315	14,827	14,416	14,287	14,558
KINGS	2,365	2,549	2,554	2,683	2,781	2,710	2,644	2,507	2,565	2,357
LAKE	684	686	728	695	742	705	726	721	715	739
LASSEN	300	301	289	259	264	323	325	322	300	298
LOS ANGELES	152,192	151,504	150,377	151,837	151,813	147,684	139,679	133,160	130,312	131,697
MADERA	2,291	2,346	2,349	2,622	2,611	2,535	2,390	2,434	2,401	2,256
MARIN	2,830	2,792	2,785	2,734	2,819	2,716	2,495	2,368	2,385	2,306
MARIPOSA	135	150	122	159	141	147	155	145	132	161
MENDOCINO	1,102	1,125	1,121	1,106	1,145	1,168	1,100	1,059	1,061	1,153
MERCED	4,278	4,296	4,470	4,742	4,650	4,423	4,407	4,248	4,281	4,311
MODOC	89	85	81	80	80	92	85	119	87	78
MONO	139	170	153	192	161	175	139	151	156	131
MONTEREY	7,423	7,396	7,501	7,474	7,551	7,434	7,068	6,764	6,814	6,652
NAPA	1,676	1,604	1,658	1,754	1,665	1,671	1,653	1,525	1,572	1,431
NEVADA	821	818	819	804	844	871	758	793	761	810
ORANGE	45,366	45,060	44,065	44,231	44,026	42,456	40,431	38,237	38,100	38,186
PLACER	3,639	3,797	3,823	3,892	4,051	4,035	3,804	3,824	3,832	3,648
PLUMAS	180	173	176	172	186	175	154	170	165	151
RIVERSIDE	28,028	29,545	31,509	33,659	34,556	32,866	31,601	30,659	30,610	30,316
SACRAMENTO	20,424	20,836	21,184	21,952	22,110	21,389	20,426	20,055	19,998	19,618
SAN BENITO	869	887	892	885	882	816	752	735	772	701
SAN BERNARDINO	30,824	31,914	33,075	34,675	35,193	33,788	31,984	31,367	30,573	30,691
SAN DIEGO	45,368	45,758	45,897	46,876	47,545	46,742	44,960	44,838	43,621	44,391
SAN FRANCISCO	8,659	8,579	8,403	8,609	9,125	9,104	8,807	8,800	8,813	9,070
SAN JOAQUIN	10,455	11,010	11,495	11,782	11,592	11,030	10,872	10,593	10,328	10,129
SAN LUIS OBISPO	2,620	2,694	2,664	2,727	2,884	2,737	2,614	2,736	2,632	2,580
SAN MATEO	10,179	10,089	9,938	9,808	9,910	9,765	9,452	9,193	9,047	9,182
SANTA BARBARA	5,800	6,209	6,192	6,166	6,289	6,319	6,039	5,819	5,803	5,584
SANTA CLARA	26,997	26,537	26,553	26,942	27,484	26,730	25,200	23,936	23,652	24,308
SANTA CRUZ	3,453	3,399	3,385	3,600	3,571	3,538	3,301	3,190	3,232	3,084
SHASTA	2,060	2,046	2,123	2,191	2,230	2,186	2,069	2,136	2,021	2,110
SIERRA	30	18	35	14	24	22	21	23	23	19
SISKIYOU	493	467	470	493	512	498	477	434	472	501
SOLANO	5,818	5,688	5,737	5,801	5,847	5,607	5,392	5,047	5,158	5,061
SONOMA	5,843	5,964	5,613	5,896	5,742	5,761	5,683	5,391	5,150	5,144
STANISLAUS	8,022	8,061	8,445	8,728	8,826	8,549	7,941	7,804	7,737	7,592
SUTTER	1,352	1,342	1,484	1,577	1,497	1,468	1,433	1,360	1,326	1,258
TEHAMA	758	700	872	818	765	790	814	767	728	767
TRINITY	105	110	120	122	117	126	116	107	123	125
TULARE	7,602	7,957	8,168	8,284	8,505	8,533	8,362	8,155	7,966	8,000
TUOLUMNE	468	477	446	495	474	486	425	487	430	459
VENTURA	12,008	11,954	12,160	12,453	12,194	12,076	11,353	11,147	10,656	10,641
YOLO	2,434	2,404	2,453	2,646	2,522	2,669	2,483	2,426	2,340	2,452
YUBA	1,196	1,184	1,258	1,341	1,349	1,264	1,245	1,223	1,282	1,213

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

*Information for 2013 and 2014 is not available.

CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2003-2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GOOD HEALTH										
Total percentage of women who received early prenatal care*	****	88.7%	89.0%	88.2%	87.8%	88.0%	91.0%	91.4%	91.7%	91.6%
Women with prenatal care in the first trimester*	****	33,780	34,018	35,650	37,267	38,727	38,364	38,365	41,306	41,516
Newborns with low birth weight (less than 2,500 grams)*	****	2,550	2,462	2,670	2,705	2,879	2,816	2,826	2,782	2,718
Percent of Newborns with low birth weight*	****	6.7%	6.4%	6.6%	6.4%	6.5%	6.4%	6.4%	6.2%	6.0%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth* (FY)	82	128	89	81	107	158	164	165	203	120
Children adequately immunized at age 2*	75.7%	78.1%	74.8%	76.6%	81.1%	76.9%	78.9%	78.9%	77.6%	71.4%
Infant Deaths*	****	160	147	165	202	187	224	211	179	200
Infant Mortality Rate (per 1,000 live births)*	****	4.2	4.0	4.1	4.8	4.2	5.1	4.8	4	4.4
Birth rates per 1,000 females ages 15-19 in Orange County*	****	20.1	21.4	23.6	25.9	27.7	29.9	29.8	30.1	30.7
Breastfeeding Percentages (any)*	93.2%	93.2%	92.7%	88.0% ***						
Breastfeeding Percentages (exclusive)*	62.1%	59.8%	55.6%	39.2% ***						
ECONOMIC WELL-BEING										
Children receiving financial assistance through CalWORKS* (FY)	45,950	46,809	42,793	35,962	31,932	32,040	33,618	36,245	37,384	38,997
Percent of children receiving CalWORKS of total population under 18* (FY)	6.2%	5.9%	5.4%	4.5%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%
Number of students receiving free and reduced lunch* (FY)	226,854	228,121	227,820	211,179	197,671	184,956	193,802	200,340	196,430	198,167
Percentage of students receiving free and reduced lunch* (FY)	46.4%	45.4%	44.4%	43.1%	40.0%	39.0%	39.0%	39.0%	38.0%	38.7%
Number of participants served by the WIC program* (FY)	98,219	103,563	100,434	104,622	117,188	107,595	95,635	98,635	99,115	97,882
Total number of child support cases* (FY)	77,582	89,852	100,056	103,598	94,860	94,769	97,425	98,503	99,134	102,040
Total child support collections \$ (in millions)* (FY)	180.1	177.4	177.2	180.3	179.6	179	176.8	176.9	171.9	166.1
EDUCATIONAL ACHIEVEMENT										
Total public school enrollment* (FY)	502,195	502,895	502,239	504,136	503,255	503,955	510,114	513,744	515,464	512,105
Number of English learner students* (FY)	130,076	126,226	141,605	140,887	142,833	141,762	144,118	149,535	153,055	159,145
Average \$ expenditure per pupil for grades K-12* (FY)	7,817	7,722	7,852	8,724	8,844	8,008	7,360	6,944	6,750	6,715
Total number of students K-12 receiving special education* (FY)	51,613	51,208	51,394	51,486	51,047	51,131	52,243	51,049	51,514	50,236
SAFE HOMES AND COMMUNITIES										
Total number of child abuse reports* (FY)	34,554	36,036	37,977	38,900	41,119	36,593	33,381	34,909	37,015	27,704
Average monthly number of children in out-of-home care* (FY)	2,215	2,018	2,195	2,466	2,668	2,562	2,394	2,566	2,772	2,939
Average monthly number of dependents of the court* (FY)	2,790	2,764	3,022	3,433	3,675	3,447	3,187	3,399	3,674	4,007
Emanicipation Services Program: monthly average youth served* (FY)	2,649	2,312	1,981	1,717	1,775	1,778	1,807	1,866	1,872	1,803
Total number of finalized adoptions within 12 months legally free* (FY)	****	179	203	211	203	228	212	259	283	251
Total juvenile arrests for youth 10 to 17 years of age*	****	10,801	13,495	14,354	14,927	15,015	14,036	13,014	13,033	13,580
Total number of juveniles referred to probation, 10 to 18 years*	****	10,454	11,533	11,531	12,456	11,900	10,852	10,772	10,092	10,491

* The 18th Annual Report on the Condition of Children in Orange County 2012 presents dates through calendar year 2010. Data through FY 2013-14 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.

**** Not yet available.

CAPITAL ASSETS STATISTICS

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

PRINCIPAL EMPLOYERS			
LAST YEAR AND NINE YEARS AGO			

2014*			
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<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	26,000	1	1.63%
University of California, Irvine	22,253	2	1.40%
St. Joseph Health System	12,062	3	0.76%
Boeing Co.	6,890	4	0.43%
Kaiser Permanente	6,040	5	0.38%
Bank of America Corp.	6,000	6	0.38%
Wal-Mart Stores Inc.	6,000	6	0.38%
Memorial Care Health System	5,635	8	0.35%
Target Corp.	5,400	9	0.34%
Hoag Memorial Hospital Presbyterian	4,986	10	0.31%

2005**			
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<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	21,000	1	1.31%
County of Orange	17,597	2	1.10%
University of California, Irvine	15,500	3	0.97%
Boeing Co.	11,160	4	0.70%
St. Joseph Health System	8,975	5	0.56%
Albertson's	8,700	6	0.54%
Tenet Healthcare	8,389	6	0.52%
Yum Brands Inc.	6,500	8	0.41%
SBC Communications	5,658	9	0.35%
Target Corp.	5,436	10	0.34%

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

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

**EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of Employees by Function										
General Administration	3	4	6	7	7	7	8	7	8	8
Finance	2	1	2	2	2	2	1	2	3	2
Contracts Administration	4	4	4	5	5	5	5	5	5	2
Program Management & Evaluation	4	4	3	3	4	4	4	2	2	2
Total Employees	<u>13</u>	<u>13</u>	<u>15</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>16</u>	<u>18</u>	<u>14</u>

* Table presents Regular and Limited-Term Employees



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and 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, 2014, 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 22, 2014. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013.

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 22, 2014



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Children and Families Commission of Orange County's (Commission), a component unit of the County of Orange, California, compliance with the requirements specified in the *State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2014.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2014.

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 22, 2014

**CHILDREN AND FAMILIES COMMISSION OF
ORANGE COUNTY**

**SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FISCAL YEAR ENDED JUNE 30, 2014**

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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 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, 2014, 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 22, 2014. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013.

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 22, 2014



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 (Commission), a component unit of the County of Orange, California, 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, 2014. 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.

Auditors' 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, 2014.

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, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated September 22, 2014, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Laguna Hills, California
September 22, 2014

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass Through/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct Grant Award or Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Services:			
Volunteers in Service to America (VISTA)	94.013	06VSPCA032	\$ 372,528
U.S. Department of Health and Human Services:			
ARRA - NIH Recovery Act Research Support			
Passed through from:			
The University of California, Irvine	93.701	2010-2490	124,682
Medical Assistance Program			
Passed through from:			
County of Orange Medi-Cal Administrative Activities	93.778	03-75080	<u>227,401</u>
Subtotal - U.S Department of Health and Human Services			<u>352,083</u>
Total Expenditures of Federal Awards			<u><u>\$ 724,611</u></u>

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, 2014

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 and donors 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 2013-2014.

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, 2014**

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?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>94.013</u>	<u>Volunteers in Service to America (VISTA)</u>

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None noted.

**Children and Families Commission of Orange County
FY 14/15 Amended Budget**

	FY 13/14 Actual Amounts	FY 14/15 Proposed Budget	FY 14/15 Carryover	FY 14/15 Adjustments	FY 14/15 Amended Budget
FINANCING					
Prop 10 Tax Allocations	26,395,725	25,230,753			25,230,753
Other Revenues					
Investment Earnings	349,365	150,000			150,000
MAA Revnue	211,406	220,000			220,000
ARRA Health Research Grant	157,864				
CARES Plus Program Revenue	305,322	300,000			300,000
First 5 Child Signature Program	117,854	4,416,000			4,416,000
AmeriCorps VISTA Program Revenue				188,120	188,120
AmeriCorps VISTA Program Partner Revenue				116,978	116,978
Other Revenue	74,002			109,500	109,500
Revenue Total	27,611,538	30,316,753	-	414,598	30,731,351
PROGRAM SERVICES					
Healthy Children					
Bridges: Maternal Child Health	6,417,567	5,813,000	44,910	13,450	5,871,360
Health Access and Education	607,046	400,000			400,000
Community Clinics	2,117,576	1,380,000	543,000	5,000	1,928,000
Fitness/Nutrition	16,371	10,000	852		10,852
Children's Dental	304				
Pediatric Health Services	4,120,099	3,620,750	350,000		3,970,750
School Readiness Nursing	2,944,423	2,987,000			2,987,000
Healthy Children Program Support	196,983	223,763			223,763
Healthy Children Subtotal	16,420,369	14,434,513	938,762	18,450	15,391,725
Strong Families					
Family Support Services	667,565	630,000		7,500	637,500
Homeless Prevention	1,814,109	1,695,000			1,695,000
Strong Families Program Support	93,470	65,372			65,372
Strong Families Subtotal	2,575,144	2,390,372	-	7,500	2,397,872

**Children and Families Commission of Orange County
FY 14/15 Amended Budget**

	FY 13/14 Actual Amounts	FY 14/15 Proposed Budget	FY 14/15 Carryover	FY 14/15 Adjustments	FY 14/15 Amended Budget
Early Learning					
Early Learning Specialists	2,453,974	3,051,400			3,051,400
School District Programs	1,939,133	873,000			873,000
CARES Plus Program	328,950	300,000			300,000
First 5 California Child Signature Program	3,132,742	4,416,000			4,416,000
Community Based Early Learning Programs	1,231,631	1,104,900	40,000		1,144,900
Early Learning Program Support	70,995	143,628			143,628
Early Learning Subtotal	9,157,425	9,888,928	40,000	-	9,928,928
Capacity Building					
AmeriCorps/VISTA	1,488,316	1,096,930			1,096,930
AmeriCorps/VISTA Progm Support	5,959	28,302			28,302
Performance Outcomes Management System	758,987	691,575		175,800	867,375
Evaluation Program Support	44,436	34,936			34,936
Technical Assistance	45,000	45,000			45,000
Capacity Building Grants & Matching Funds	92,258	250,000	189,730		439,730
Capacity Building Support & Fund Development	130,307	140,000	17,881		157,881
Capacity Building Program Support	44,436	46,870			46,870
Capacity Building Subtotal	2,609,699	2,333,613	207,611	175,800	2,717,024
Total Program	30,762,637	29,047,426	1,186,373	201,750	30,435,549
Administrative Functions					
Commission Staffing	1,318,524	1,415,177			1,415,177
Strategic Communications	159,878	200,000	12,450		212,450
Professional and Technical Services	550,337	598,000	7,155		605,155
Office, Training & Operating Costs	331,149	303,400			303,400
Administrative Functions Subtotal	2,359,888	2,516,577	19,605	-	2,536,182
Total Annual Operating Budget	33,122,525	31,564,003	1,205,978	201,750	32,971,731

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

RESOLUTION NO. ___-14-C&FC

October 1, 2014

A RESOLUTION OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY ADOPTING THE AMENDED FISCAL YEAR 2014-15 OPERATING BUDGET

WHEREAS, at its meeting of April 2, 2014, 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 2, 2014 Commission meeting: The Strategic Plan, the Annual Operating Budget for the Fiscal Year 2014-15, and the Business Plan for Fiscal Year 2014-15 including the Administrative Budget; and

WHEREAS, at its meeting of October 1, 2014, the Commission reviewed and adopted an Amended Annual Operating Budget for the Fiscal Year 2014-15 prepared and recommended by staff and identified in the staff report for the October 1, 2014 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 2014-15.

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 2014-15.

Section 5 The Clerk of the Commission shall append to this Resolution a copy of the Amended Annual Operating Budget for Fiscal Year 2014-15, identifying it as Exhibit A which shall correspond to Attachment 4 of the October 1, 2014 staff report. By this reference such exhibit is incorporated as though fully set forth herein.

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

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

The foregoing resolution was passed and adopted by the following vote of the Children and Families Commission of Orange County on October 1, 2014 to wit:

AYES Commissioner(s): _____

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: __-14-C&FC

Agenda Date: October 1, 2014

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
AMENDED ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2014-15
(attached)