

**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, 2016

Prepared by:

Michael Garcell, CPA

Finance Manager

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

	Page(s)
INTRODUCTORY SECTION:	
Letter of Transmittal.....	i
Board of Commissioners.....	v
Organization Chart.....	vi
Certificate of Achievement for Excellence in Financial Reporting.....	vii
FINANCIAL SECTION:	
Independent Auditors' Report.....	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	17
Governmental Fund Balance Sheet.....	18
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	19
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	22
Notes to Basic Financial Statements.....	23
Required Supplementary Information	
Schedule of Proportionate Share of the Net Position Liability.....	43
Schedule of Commission Contribution.....	44
Supplementary Information	
Schedule of First 5 California Funding.....	45

CONTENTS

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION:

Financial Trends

- Net Position by Component..... 47
- Changes in Net Position..... 49
- Fund Balances – General Fund..... 51
- Changes in Fund Balance – General Fund..... 53

Revenue Capacity

- First 5 California County Tax Revenue Capacity..... 55
- State of California – Cigarette Taxes and Other Tobacco Products Surtax Revenue 56
- State of California – Cigarette Distributions and Per Capita Consumption..... 57

Demographic Information

- Demographic Data..... 58
- Live Births, California Counties..... 59
- Children’s Score Card Orange County..... 60

Operating Information

- Capital Asset Statistics..... 61
- Principal Employers..... 62
- Employees by Function..... 63

COMPLIANCE REPORT:

- 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*..... 64
- Independent Auditors’ Report on State Compliance..... 66

CONTENTS



October 5, 2016

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, 2016, 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, 2016. 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 \$712 million toward grants, programs and operations that improve the well-being of young children and families in Orange County.

Relevant Financial Policies

Financial Plan

In December 2015, 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 2% to 4% annually. Given this decline, the Commission directed staff to develop three-year funding renewal recommendations, working under the direction of Commissioner-led funding renewal panels.

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

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

Strategic Plan

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

As a first step in this process, staff conducted a review of the core elements of the Strategic Plan to assess alignment with priorities and strategies articulated by the Commission. The proposed changes to the Strategic Plan focused on using consistent terminology in all elements, aligning the language with terms that the Commission currently uses, and concisely stating the Commission's priorities. The Plan revisions were approved by the Commission in October 2013 and reviewed in May 2015 and May 2016.

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

The Commission has increasingly led and initiated efforts to integrate, mobilize and expand services to build a system of prevention and early intervention services for young children and their families. Recent examples include expanding access to developmental screenings, vision services and currently working with homeless shelter providers and other community partners to develop a coordinated data entry and intake system to streamline the process of connecting families with emergency and transitional shelters.

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

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

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

Other Financial Information

Internal Control

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

Budgetary Control

The objective of budgetary control is to ensure that spending is limited to the total amount authorized by the Board of Commissioners. The initial budget for fiscal year 2015-2016 was adopted on May 6, 2015 with subsequent adjustments approved on October 7, 2015 and May 4, 2016. 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, 2015. This was the seventh 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 black ink that reads "Kimberly Goll". The signature is written in a cursive, flowing style.

Kimberly Goll
Executive Director

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
BOARD OF COMMISSIONERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COMMISSION BOARD MEMBERS (9)

Sandra Barry (A)
Chair

Hugh Hewitt (A)
Vice Chair

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

Kimberly Cripe (A)

Richard Mungo, DDS (A)

Sandra Pierce (A)

Mark Refowitz (M)
Health Care Agency

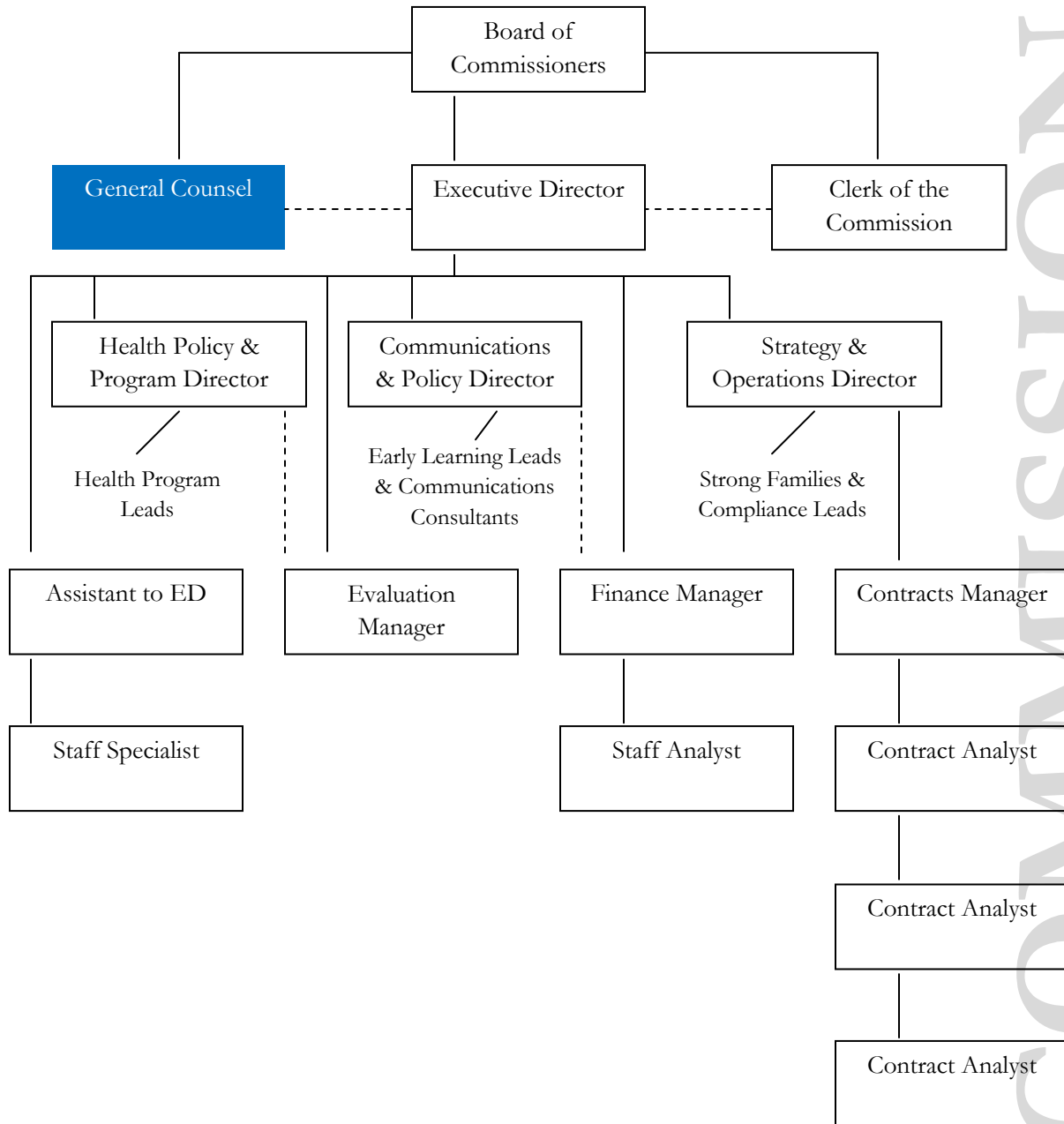
Michael F. Ryan (M)
Social Services Agency

Michelle Steele (M)
Board of Supervisors

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

COMMISSION

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
ORGANIZATION CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**





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, 2015

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, 2016, 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, 2016, 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. 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of proportionate share of the net pension liability and schedule of the Commission contributions on pages 3 through 15, and 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, schedule of First 5 California Funding, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of First 5 California Funding is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of First 5 California Funding is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Vavrinch, Train, Day & Co., LLP

Laguna Hills, California
September 27, 2016

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

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, 2016. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Commission as reported on the Statement of Net Position exceeded its liabilities and deferred inflows of resources by \$51.6 million at the end of the current fiscal year, a decrease of \$2.9 million (5.2%) from the prior fiscal year. The decrease in Net Position is primarily due to planned Round 1 and 2 Catalytic expenses.
- As of June 30, 2016, the Commission's governmental fund statements reported an ending fund balance totaling \$54.6 million, a decrease of \$.4 million (.8%) from the prior fiscal year.
- The total ending fund balance of \$54.6 million was classified into the following categories: \$7.3 million as non-spendable, \$26.5 million as committed, and \$20.9 million as assigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents changes in the Commission's net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not received, unused vacation leave, net pension liability).

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016

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 \$51.6 million at the end of the current fiscal year, a 5.2% decrease from the prior fiscal year. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2016 and June 30, 2015.

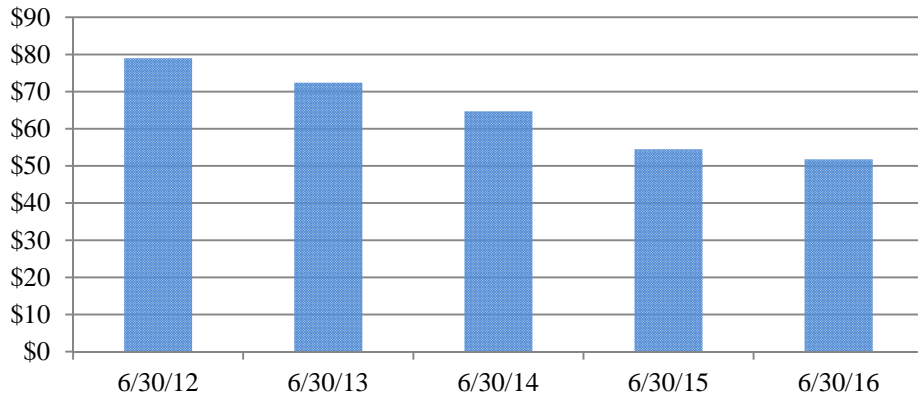
The Commission's net position as of June 30, 2016 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

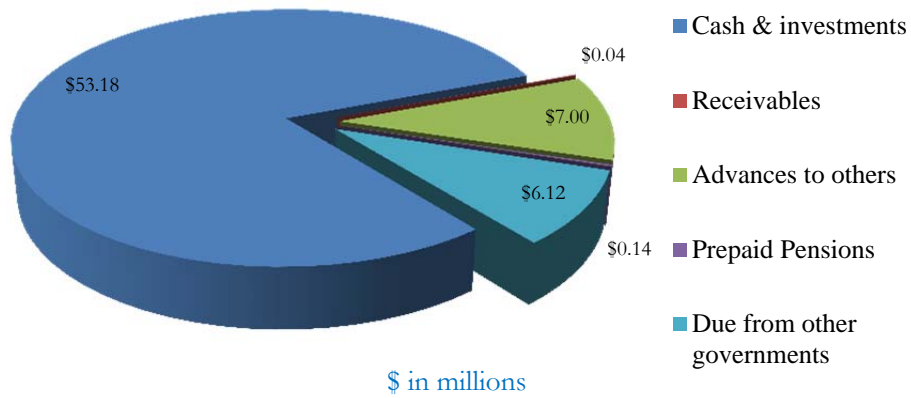
	FY 2015-16	FY 2014-15	Percent Increase (Decrease)
Assets:			
Cash and investments	\$53,166,960	\$51,804,019	2.6%
Imprest cash	10,000	10,000	-
Interest receivable	35,598	23,026	54.6%
Due from County of Orange	22,235	16,814	32.2%
Due from other governments	6,100,344	8,385,214	-27.2%
Prepays	143,501	156,417	-8.3%
Advances to others	6,998,301	9,027,458	-22.5%
Total assets	<u>\$66,476,939</u>	<u>\$69,422,948</u>	-4.2%
Deferred Outflows of Resources:			
Deferred Outflows - pensions	<u>863,465</u>	<u>521,771</u>	65.5%
Total deferred outflows of resources	<u>863,465</u>	<u>521,771</u>	65.5%
Liabilities:			
Accounts payable and accrues liabilities	\$5,044,349	\$4,232,085	19.2%
Due to County of Orange	9,242	9,413	-1.8%
Due to other governments	4,030,954	4,396,008	-8.3%
Retentions payable	1,400,694	1,913,859	-26.8%
Accrued wages and benefits	77,596	83,187	-6.7%
Compensated absences:			
Payable within one year	49,740	67,250	-26.0%
Payable after one year	13,909	30,823	-54.9%
Net Pension Liability	<u>4,066,522</u>	<u>3,957,426</u>	2.8%
Total liabilities	<u>14,693,006</u>	<u>14,690,051</u>	-
Deferred Inflows of Resources:			
Deferred Inflows - pensions	<u>1,025,887</u>	<u>782,961</u>	31.0%
Total deferred inflows of resources	<u>1,025,887</u>	<u>782,961</u>	31.0%
Net Position:			
Unrestricted	<u>51,621,511</u>	<u>54,471,707</u>	-5.2%
Total net position	<u>\$51,621,511</u>	<u>\$54,471,707</u>	-5.2%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

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



**Assets
As of June 30, 2016**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

Assets, Current and Other

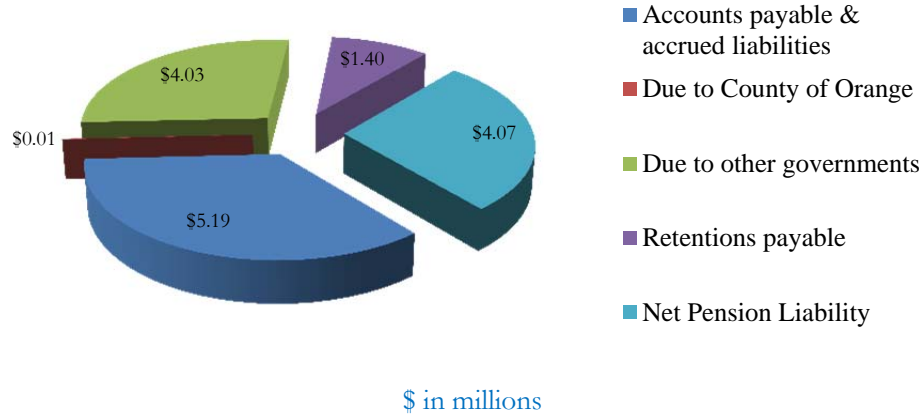
- Cash and investments totaled \$53.2 million. All of the \$53.2 million was invested in the Orange County Investment Pool (OCIP), except for a small petty cash fund held at the Commission. The investments in OCIP are managed by the County Treasurer and reviewed for compliance with the Commission's Annual Investment Policy. Cash and investments increased by 2.6% due to the fact payments were delayed for Catalytic Round 1 and 2 programs.
- Due from other governments totaled \$6.1 million. Of this amount, \$4.6 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2016 allocations and \$1.5 million for First 5 California program revenue for the CARES Plus and Child Signature Extension Program.
- Advances to others totaled \$7 million and represents funds advanced to contractors for services not provided by June 30, 2016. \$4.2 million was advanced for Emergency Shelter Catalytic programs and \$2.8 million is remaining for Early Literacy and Math programs. The advances cover future periods up to FY 2020.
- Other current assets consist of \$0.04 million in interest and \$0.14 million in Prepays.

Deferred Outflows of Resources

- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System. As a participant, the Commission is required to report its proportionate share of deferred outflows of resources related to pensions.
- Commission contributions of \$294,906, including early payments, made subsequent to the measurement date (December 31, 2015) of the collective net pension liability are required to be reported as deferred outflows of resources related to pensions. FY 2014/15 was the first year Governmental Accounting Standards Board Statement No. 68 requires deferred outflows of resources related to pensions be recognized in the Commission financial statements. Deferred outflows of resources also include \$568,559 for the net differences between projected and actual earnings on pension plan over the measurement period ending December 31, 2015.
- Note 8 to the Commission financial statements provides further detail of all deferred outflows of resources recognized in FY 2015-16.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

**Liabilities
As of June 30, 2016**



Liabilities

- Accounts payable and due to other governments totaling \$9 million. Payables to grantees for services not yet billed at June 30, 2016 are based on established contract terms.
- Retentions payable totaling \$1.4 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.
- Other current liabilities totaling \$0.2 million consisting of amounts due to the County of Orange and accrued wages, benefits and compensated absences.
- Net Pension Liability of \$4.07 million is reported and represents an increase of \$.1 million or 2.8% from the liability for the prior year.

Deferred Inflows of Resources

- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System. As a participant, the Commission is required to report its proportionate share of deferred inflows of resources related to pensions.
- Governmental Accounting Standards Board Statement No. 68 requires deferred inflows of resources related to pensions be recognized in the Commission financial statements. Total deferred inflows of resources of \$1,025,887 are the results of differences between expected and actual experience, changes of assumptions, and changes in the Commission's proportionate share occurring over the measurement period ending December 31, 2015.
- Note 8 to the Commission financial statements provides further detail of all deferred inflows of resources recognized in FY 2015-16.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

Changes in Net Position

For the year ended June 30, 2016, current year operations decreased the Commission's net position by \$2.9 million. The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

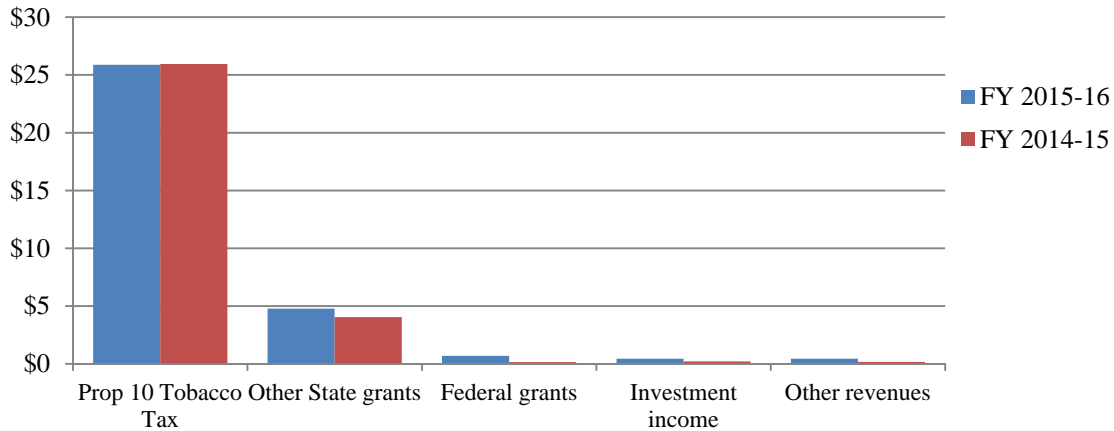
	FY 2015-16	FY 2014-15	Percent Increase (Decrease)
Revenues:			
Program Revenues			
Tobacco taxes	\$25,879,036	\$25,943,624	-0.25%
Other State operating grants and contributions	2,288,809	4,039,836	-43.34%
Interest income earned on tobacco taxes at the State	12,315	8,082	52.38%
Federal operating grants and other contributions	696,686	146,579	375.30%
Total program revenues	<u>28,876,846</u>	<u>30,138,121</u>	-4.18%
General Revenues			
Investment income	441,810	206,029	114.44%
Other revenues	429,235	151,086	184.10%
Total general revenues	<u>871,045</u>	<u>357,115</u>	143.91%
Total revenues	<u>29,747,891</u>	<u>30,495,236</u>	-2.45%
Expenses:			
0-5 Child development programs	30,870,890	34,608,366	-10.80%
Salaries and benefits	1,727,197	1,689,772	2.21%
Total expenses	<u>32,598,087</u>	<u>36,298,138</u>	-10.19%
Change in net position:			
	(2,850,196)	(5,802,902)	
Net position – July 1	54,471,707	60,274,609	-9.63%
Net position – June 30	<u>\$51,621,511</u>	<u>\$54,471,707</u>	-5.23%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

Total revenues

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

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



- *Program revenues*
The Commission's program revenues totaled \$28.9 million in FY 2015-16 and accounted for 97.1% of total revenues. This represented a decrease of \$1.3 million (-4.18%) from FY 2014-15 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 \$.06 million (-.25%) from the prior fiscal year.
 - The California Children and Families Commission (First 5 California) forecasts a decline of 2% to 3% each fiscal year in the tobacco tax revenue allocation models. These models are calculated using birthrate data and tobacco sales and usage provided by the California Department of Finance.
 - Other State operating grants and contributions includes revenue from the state-wide CARES Plus grant and Child Signature Extension Program.
 - Federal operating grants includes revenues from the federal AmeriCorps VISTA and Medical Administrative Activities (MAA). The increase in federal revenues is due to receipt of revenue for two years of MAA funding for FY 2012/13 and FY 2013/14.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

- *General revenues*

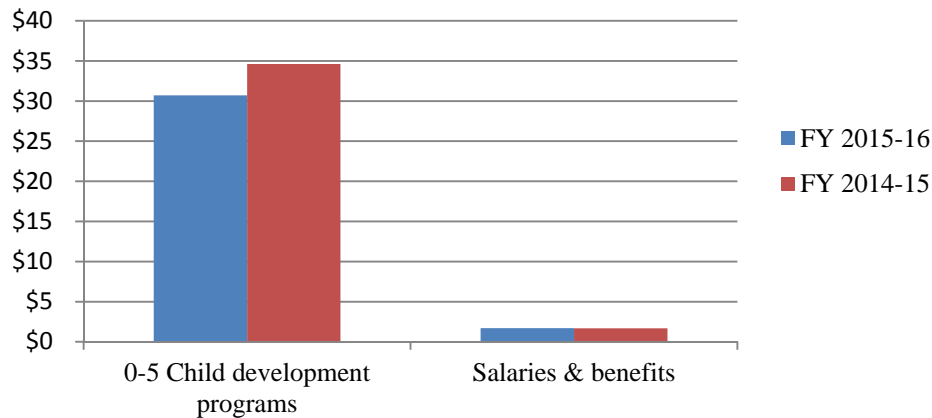
The Commission's general revenues totaled \$0.87 million in FY 2015-16 and accounted for 2.9% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenues.

- Investment income increased by \$0.24 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.

Governmental Activities Expenses

Total expenses decreased by \$3.7 million (-10.19%) from the prior fiscal year. The decrease is due to reduced program and operating spending as planned for in the long-term financial plan. \$6.3 million in Catalytic funding was expensed during the fiscal year. FY 2015-16 was the fourth year for Round 1 and 2 Catalytic funding. Other zero-to-five child development programs totaling \$24.6 million decreased by \$3.6 million or 12.7%.

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



- Zero-to-five child development programs decreased by \$3.7 million (10.8%) 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 \$0.4 million (2.21%) from the prior fiscal year due to increases in benefits costs paid for by the Commission including pension and healthcare costs.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

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.

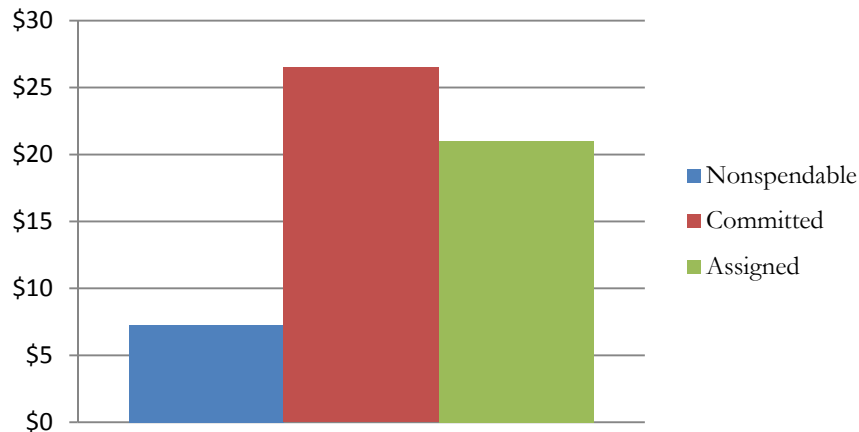
Governmental Funds

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. First 5 California program revenues of approximately \$1.5 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.

As of the end of the current fiscal year, the Commission's general fund reported total ending fund balance of \$54.6 million, a decrease of \$.41 million (-.75%) in comparison with the prior fiscal year.

Total fund balance decreased due to the fourth year of funding for Catalytic programs in the amount of \$6.4 million. Funding for Catalytic programs is not budgeted from current year revenue but draws on fund balance from prior years. The remaining decrease was fund balance used to bridge the gap between current year revenue and expenditures as planned for in the Commission's financial plan.

**Fund Balance Classifications
As of June 30, 2016
(\$ in millions)**



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

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 \$.75 million. The amendments were based on projected receipts of Prop. 10 Tobacco Tax receipts.
- Total budgeted appropriations were increased by \$5.4 million in the 0-5 child development program expenditures line items not including amounts budgeted for Catalytic programs. The major components of the increase are summarized as follows:
 - Healthy Children - increase of \$5.5 million for the anticipated Intergovernmental Transfer (IGT) transaction with Cal Optima to leverage federal funding to support investments in children's health.
 - Capacity Building – decrease of \$0.7 million for carryover of prior year unspent funds in Capacity Building Grants.
 - Catalytic Round 1 and 2 Program Funding was increased by \$2.4 million for the anticipated Intergovernmental Transfer (IGT) transaction with Cal Optima to leverage federal funding to support investments in children's health.

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 2015-16 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were more than budgeted revenues in FY 2015-16 by nearly \$4 million. FY 2015-16 tobacco revenues exceed estimates by \$0.8 million and, due to the timing of receipts for First 5 California programs represents eighteen months of program reimbursements compared to the budget of twelve months.
- Total budgeted appropriations exceeded actual expenditures in FY 2015-16 by \$9.5 million largely due to the timing of the anticipated IGT transaction that did not occur in FY 2015-16 and is currently planned for the fall of FY 2016-17.
 - 0-5 child development program expenditures were less than budgeted appropriations by \$7 million. The variance is largely due to the timing of the IGT transaction of \$5.5 million and an accumulation of various programs under-spending. 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 \$0.23 million due to vacant staff positions.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

- o Catalytic expenditures were \$6.2 million compared to the final budget of \$8.5 million. FY 2015-16 was the fourth year Round 1 and 2 catalytic funds were disbursed. The total funding amount of approximately \$55 million was approved by the Commission as detailed below. Expenditures will be recognized as services are provided and deliverables met for each separate Catalytic program. At budget adoption, the timing of FY 2015-16 distributions and expense recognition were not known. Each Catalytic program has a unique scope and budget. Final payment terms are included in the contracts approved by the Commission for each Catalytic program. Remaining Catalytic funding will be carried forward into future year budgets as defined in the related Catalytic contract payment and deliverable schedules.

Commission Catalytic funding

Round 1:

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

Round 2:

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

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. In May 2016, Governor Brown signed five of six bills related to tobacco products. Two of the bills are expected to have an immediate impact on the amount of tobacco tax allocated to the Commission. The legal age to purchase or consume tobacco was increased from 18 to 21 which is expected to decrease Prop. 10 annual tobacco tax revenues estimated as high as \$18.9 million statewide. Also approved was an annual Board of Equalization (BOE) licensing fee of \$265 for tobacco retailers, replacing the former one-time fee. The new fee will create savings in the BOE fees the Commission pays annually resulting in additional revenue.

The Commission's financial plan will continue to conservatively estimate future-year revenues and 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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

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, 2016. 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, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments in County Treasury	\$ 53,166,960
Imprest cash	10,000
Interest receivable	35,598
Due from County of Orange	22,235
Due from other governments	6,100,344
Prepays	143,501
Advances to others	6,998,301
Total Assets	66,476,939
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	863,465
LIABILITIES	
Accounts payable	5,044,349
Due to County of Orange	9,242
Due to other governments	4,030,954
Retentions payable	1,400,694
Accrued wages and benefits	77,596
Compensated absences:	
Payable within one year	49,740
Payable after one year	13,909
Net pension liability	4,066,522
Total Liabilities	14,693,006
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	1,025,887
NET POSITION	
Unrestricted	51,621,511
TOTAL NET POSITION	\$ 51,621,511

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Child development	\$ 32,598,087	\$ 28,876,846	\$ (3,721,241)
General Revenues:			
Investment income			441,810
Miscellaneous			429,235
Total General Revenues			871,045
Change in Net Position			(2,850,196)
Net Position, July 1			54,471,707
Net Position, June 30			\$ 51,621,511

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2016

	General Fund
ASSETS	
Cash and investments in County Treasury	\$ 53,166,960
Imprest cash	10,000
Interest receivable	35,598
Due from County of Orange	22,235
Due from other governments	6,100,344
Prepays	279,657
Advances to others	6,998,301
Total Assets	\$ 66,613,095
LIABILITIES	
Accounts payable	\$ 5,044,349
Due to County of Orange	9,242
Due to other governments	4,030,954
Retentions payable	1,400,694
Accrued wages and benefits	77,596
Total Liabilities	10,562,835
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - unavailable revenue	1,419,348
Total Deferred Inflows of Resources	1,419,348
FUND BALANCES	
Nonspendable fund balance	7,277,958
Committed fund balance	26,486,583
Assigned fund balance	20,866,371
Total Fund Balances	54,630,912
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 66,613,095

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, 2016**

Fund balances of governmental funds	\$	54,630,912
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid expense included as a deferred outflow on the accrual basis used in the government-wide statements		(136,156)
Deferred outflows of resources related to pensions		863,465
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported in the funds.		(4,130,171)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.		1,419,348
Deferred inflows of resources related to pensions		(1,025,887)

Net Position of governmental activities	\$	51,621,511

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, 2016**

	General Fund
REVENUES	
Prop 10 Tobacco Tax	\$ 25,879,036
Investment income earned on tobacco taxes at the State level	12,315
Other State operating grants and contributions	4,772,054
Federal operating grants	696,686
Investment income	441,810
Other revenue	429,236
Total Revenues	32,231,137
EXPENDITURES	
Current:	
Salaries and benefits	1,771,554
Expenditures related to the "Zero to Five" Programs	24,621,958
Catalytic Round 1 and 2 Program Funding	6,248,932
Total Expenditures	32,642,444
Change in Fund Balance	(411,307)
FUND BALANCE, July 1	55,042,219
FUND BALANCE, June 30	\$ 54,630,912

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, 2016**

Net changes in fund balance - total governmental funds	\$	(411,307)
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Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in fund balance differs from the amounts reported in the statement of activities because:

Governmental funds report pension contributions as expenditures. However, in the Statements of Activities, pension expense is measured as the change in the net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the change in pension related amounts.		9,933
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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.		34,424
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Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.		(2,483,246)
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Change in net position of governmental activities	\$	(2,850,196)
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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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Prop 10 Tobacco Tax	\$ 24,284,600	\$ 25,035,597	\$ 25,879,036	\$ 843,439
Investment income earned on tobacco taxes at the State level	-	-	12,315	12,315
Other State operating grants and contributions	2,473,000	2,473,000	4,772,054	2,299,054
Federal operating grants	341,712	341,712	696,686	354,974
Investment income	150,000	150,000	441,810	291,810
Other revenue	305,750	305,750	429,236	123,486
Total Revenues	27,555,062	28,306,059	32,231,137	3,925,078
EXPENDITURES				
Current:				
Salaries and benefits	2,001,788	2,001,788	1,771,554	230,234
Expenditures related to the "Zero to Five" Program	26,225,541	31,656,686	24,621,958	7,034,728
Catalytic Round 1 and 2 Program Funding	6,105,468	8,505,468	6,248,932	2,256,536
Total Expenditures	34,332,797	42,163,942	32,642,444	9,521,498
Net Change in Fund Balance	(6,777,735)	(13,857,883)	(411,307)	13,446,576
FUND BALANCE, July 1	55,042,219	55,042,219	55,042,219	-
FUND BALANCE, June 30	\$ 48,264,484	\$ 41,184,336	\$ 54,630,912	\$ 13,446,576

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, 2016

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Accounting and Measurement Focus

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

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

Government-Wide Financial Statements

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

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

Government-Wide Financial Statements, (Continued)

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

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 resources. All operations of the Commission are accounted for in the general fund.

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

Fair Value Measurement

As of July 1, 2015, the Commission retrospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission does not have any investments that are measured using Level 3 inputs.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

Deferred Outflows and Inflows of Resources

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

Capital assets, net of accumulated depreciation

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

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

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Prepaid Pension

Prepaid pension contributions are reported as a prepaid asset in the fund financial statements and in the Statement of Net Position. The prepaid pension contributions, at the fund level, pertain to the contributions required for the related payroll periods of July 1, 2016 to June 30, 2017. Because the next actuarial valuation to determine the Commission's net pension liability will occur on December 31, 2016, \$136,156 of the prepaid contributions is recognized as a deferred outflow of resources on the government wide statements to account for the portion that will be applied to the calculation of net pension liability.

Deferred Outflows and Inflows of Resources

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due the Commission are recognized as deferred inflows in the fund financial statements. Unavailable revenue of \$1,419,348 at June 30, 2016 was recognized as revenue in the government-wide financial statements.

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements
(Continued)

Long-Term Liabilities

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

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

In general, the Commission recognizes a net pension liability, which represents the Commission's proportionate share of the excess of the total pension liability over the fiduciary net position reflected in the actuarial report provided by the Orange County Employees Retirement System (OCERS). The net pension liability is measured as of OCERS' prior fiscal year end December 31, 2015. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

Due to other governments

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

Retentions payable

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

Use of Estimates

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, 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

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission established the following classifications and definitions of fund balance for the year ended June 30, 2016:

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

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

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

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

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

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Fund Balance (Continued)

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

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

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

Encumbrances

The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Encumbrances of \$36.5 million represent Board-approved future year contracts for Catalytic Programs (\$16 million) and annual programs and operations (\$20.5 million). The most significant Catalytic Program encumbrance is for Children's Dental (\$12.1 million). The four significant program encumbrance balances are for the Bridges Maternal Child Health Network, Pediatric Health Services, School Readiness Nursing, and Early Learning program totaling \$19 million.

Pensions

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

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Commission implemented this statement effective July 1, 2015.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Commission has determined that the requirements of this statement effective in the current year do not have a material impact on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). This statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Commission implemented this statement effective July 1, 2015, but determined that this statement does not have a material impact on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. 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. 74 – In June 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016, or the 2016-2017 fiscal year. The Commission has not determined the effect of this statement.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-2018 fiscal year. The Commission has not determined the effect on the financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments in County Treasury	\$ 53,166,960
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 53,176,960</u>

Cash and investments consisted of the following at June 30, 2016:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 53,166,960
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 53,176,960</u>

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

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

Authorized investment instruments include:

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

The Commission is a participant in the County Treasurer’s Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2016, 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, 2016 decreased the Commission’s investment income by \$5,317. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

Fair Value Measurements

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

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in the OCIP are made on the basis of \$1 and not fair value. Accordingly, the Commission’s proportionate share of investments in the OCIP at June 30, 2016 of \$53,166,960 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

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, 2016, were as follows:

Due from State Commission:

Prop 10 revenue for:

May 2016	\$ 2,114,094
June 2016	2,527,790
Surplus Money Investment Fund Allocations	12,315
First 5 CARES Plus Program	246,281
First 5 Child Signature Extension Program	1,173,067

Due from other governmental agencies for:

Vista funds	26,797
Total Due from Other Governments	\$ 6,100,344

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016, were as follows:

Due to government agencies:	
FY 2015-2016 Contract Payment Accruals	\$ <u>4,030,954</u>
Total Due to Other Governments	\$ <u>4,030,954</u>

NOTE 5 – COMPENSATED ABSENCES

The vested compensated absences liability balance at June 30, 2016 consists of the following activity:

Balance <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
<u>\$98,073</u>	<u>\$109,705</u>	<u>\$144,129</u>	<u>\$63,649</u>	<u>\$49,740</u>

NOTE 6 – FUND BALANCE

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance as of June 30, 2016 consists of the following:

	<u>June 30, 2016</u>
Nonspendable:	
Prepays and Advances	\$ 7,277,958
Committed for:	
Catalytic Round 1 and 2 programs	26,486,583
Assigned for:	
Approved contracts	<u>20,866,371</u>
Total fund balance	<u>\$ 54,630,912</u>

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2016-2017. Refer to Note 8 for further details. Also included in Nonspendable are prepaid rent and Catalytic funding amounts advanced to grantees for project scopes not completed by June 30, 2016.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2016 for FY 2016-2017 and future years of Commission Round 1 and 2 Catalytic funding.

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 – CONTINGENCIES

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

Plan Membership. At December 31, 2015, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	15,810
Vested terminated members entitled to, but not yet receiving benefits	5,091
Active members	<u>21,525</u>
Total	<u>42,426</u>

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

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

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

Contributions. The Commission contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The contribution rates for FY 2015-16 (based on December 31, 2013 valuation) were 35.79% of compensation for plan I and J members and 32.28% of compensation for plan U members. Contributions recognized by the plan in FY 2015-16 were \$333,800.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The member contribution rates for FY 2015-16 at the average age of entry of thirty-two (based on December 31, 2013 valuation) were 13.09% of compensation for plan I, 12.51% of compensation for plan J members, and 8.04% of compensation for plan U members. (It should be noted that the contribution rates provided above have not been adjusted to reflect any pick-up or reverse pick-up.)

Early payment of 2016-17 contributions. In July 2015, the OCERS Board of Retirement authorized the offer of a 5.80% discount to plan sponsors for the early payment of their employer contributions for FY 2016-17. Subsequently, the Commission authorized the early payment of \$294,906 in January 2016. As of June 30, 2016, \$273,939 remained in the account and will be applied towards the Commission's employer required OCERS contributions for FY 2016-17. At the fund level, the \$273,939 is reported as prepaid and the portion of the prepaid which will reduce the net pension liability at the next measurement date had been reclassified to deferred outflows of resources on the government wide financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2016, the Commission reported a liability of \$4,066,522 for its proportionate share of the net pension liability. The Net Pension Liability (NPL) for the plan was measured as of December 31, 2015. Plan Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2014. At December 31, 2015, the Commission’s proportion was 0.071% percent allocated based on the actual employer contributions within the Commission’s rate group. This represents a decrease from 0.078%, the proportionate measured as of December 31, 2014. The plan provisions used in the measurement of the NPL are the same as those used in the OCERS actuarial valuations as of December 31, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$261,818. As of June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 568,559	
Changes in proportion and differences between employer contributions and proportionate share of contributions		\$ 530,747
Changes of assumptions		205,147
Difference between expected and actual experience		289,993
Commission contributions subsequent to the measurement date	294,906	
Total	<u>\$ 863,465</u>	<u>\$ 1,025,887</u>

\$294,906 of the amount reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining deferred outflows of resources of \$568,559 represent the net difference between projected and actual investment earnings on pension plan investments. Additional contributions will be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Year ended June 30:

2017	\$	(75,664)
2018		(75,664)
2019		(75,664)
2020		(114,937)
2021		(110,324)
2022		(5,075)
	\$	(457,328)

Actuarial assumptions. The total pension liability as of December 31, 2015 was determined by rolling forward the total pension liability from the actuarial valuation as of December 31, 2014. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2011 through December 31, 2013. Following are the key methods and assumptions used for the total pension liability as of December 31, 2015.

Inflation 3.00%

Salary Increases General: 4.25% to 13.50% and Safety: 5.00% to 17.50%, varying by service, including inflation

Investment rate of return: 7.25%, net of pension plan investment expense, including inflation

Actuarial Experience Study: Three Year Period Ending December 31, 2013

Post – Retirement Mortality Rates:

Healthy: For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.

Disabled: For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.

For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

Beneficiaries: Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

The long-term expected rate of return of 7.25% on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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

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

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

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Employer	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Commission	\$5,671,957	\$4,066,522	\$2,745,535

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

NOTE 9 – COMMITMENTS

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

FY 2016-17	\$ 22,869
	<u>\$ 22,869</u>

Rent expense was \$68,607 for the year ended June 30, 2016.

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, 2016 was \$35,011. The Commission incurred expenses totaling \$462,771 for all other County services provided during the year ended June 30, 2016. The amount owed to the County of Orange for related party transactions at June 30, 2016 was \$9,242.

The Commission paid \$1,688,132 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. The Commission incurred a total of \$1,591,881 in expenses paid to the County of Orange for program services delivered by the Health Care Agency and Social Services Agency

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, 2016, the Commission expended \$916,979 for program evaluation.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 2015-2016 Comprehensive Annual Financial Report (CAFR). The Commission is reported in the County’s CAFR as a discretely presented component unit. That report may be obtained by contacting the County of Orange, Auditor Controller, 12 Civic Center Plaza, Room 200, Santa Ana, California 92702.

Funding Policy. The contribution requirements of plan members and the Commission are those established for the County of Orange and may be amended by the County Board of Supervisors. For the fiscal year ended June 30, 2016, the Commission was required to contribute 4% 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, 2016 were \$35,616 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.

Fiscal Year Ending	Annual Required Contributions (ARC)	Percentage of ARC Contributed
6/30/2014	\$ 41,854	100.00%
6/30/2015	36,416	100.00%
6/30/2016	35,616	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 \$246,281 in CARES Plus Phase II reimbursable expenses for the period ending June 30, 2016. 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) Extension and claimed reimbursable expenses of \$2,041,778 to First 5 California for the period ending June 30, 2016. CSP Extension Program has a one to one Commission and program partner match to each dollar for First 5 funding.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 14 – ADVANCES TO OTHERS

Advances to others as of June 30, 2016 were \$6,998,301. Advances to others include Catalytic Round 1 and 2 funds advanced to service providers. The Commission invested in Catalytic programs expanding the service capacity of service providers in both Early Learning and Homeless Prevention. In August 2012, the Commission advanced \$5,000,000 to Think Together. The purpose of the advance was to develop a strategic partnership to develop early literacy and math programs and guide the implementation in Orange County, maintain early literacy programs and expand early math as programs become available, and create an opportunity to leverage other funding sources to support the material costs and sustain the program. In December 2013, the Commission advanced \$6,250,000 to HomeAid Orange County to construct emergency shelters to serve homeless families with young children, provide operational support for no less than five years, including staffing and direct services for additional emergency shelter beds, and leverages matching funds obtained by implementing agencies for continued operational support. The advanced funds are expensed as services are provided.

REQUIRED SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS***

	<u>6/30/2015</u>	<u>6/30/2016</u>
Proportion of the net pension liability	0.078%	0.071%
Proportionate share of the net pension liability	\$3,957,426	\$4,066,522
Covered – employee payroll	\$1,076,473	\$1,110,572
Proportionate share of the net pension liability as a percentage of covered-employee payroll	367.63%	366.16%
Plan fiduciary net pension as a percentage of the total pension liability	69.42%	67.10%
Measurement date	12/31/2014	12/31/2015

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF COMMISSION CONTRIBUTIONS
LAST 10 YEARS***

	<u>6/30/2015</u>	<u>6/30/2016</u>
Contractually required contribution (actuarially determined)	\$319,651	\$333,800
Contributions in relation to the actuarially determined contributions	(319,651)	(333,800)
Contribution deficiency (excess)	-	-
Covered-employee payroll	\$1,059,543	\$1,078,773
Contributions as a percentage of covered- employee payroll	30.17%	30.94%

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FIRST 5 CALIFORNIA FUNDING
 YEAR ENDED JUNE 30, 2016**

First 5 California Funding

<u>Program Title</u>		Revenue*	
		<u>F5CA Funds</u>	<u>Expenditures</u>
CARES Plus Phase II	F5CA Program Funds	\$ 246,109	\$ 246,109
	County, Local Funds		738,327
CSP RFA Extension	F5CA Program Funds	\$ 2,042,527	\$ 2,042,527
	County, Local Funds		2,042,527

* For the purpose of this schedule, the revenue reported, in amount of \$246,109 for CARES Plus Phase II and \$2,042,527 for Child Signature Program RFA Extension represents the amount claimed by the Commission. For governmental fund or modified accrual financial reporting purposes, \$1,419,348 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	47
These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time. (Schedules 1 - 4)	
REVENUE CAPACITY	55
These schedules contain trend information to help the reader assess the Commission's most significant revenue base. (Schedules 5 -7)	
DEMOGRAPHIC INFORMATION	58
These schedules offer economic and demographic indicators to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs. (Schedules 8 - 10)	
OPERATING INFORMATION	61
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			
	2016	2015*	2014	2013
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -
Unrestricted	51,621,511	54,471,707	64,690,535	72,411,134
Total net position	<u>\$ 51,621,511</u>	<u>\$ 54,471,707</u>	<u>\$ 64,690,535</u>	<u>\$ 72,411,134</u>

* First year of implementation for GASB No. 68



Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ -	\$ 235	\$ 798	\$ 2,301	\$ 5,121	\$ 7,942
78,984,810	30,063,595	102,842,804	122,720,258	142,142,025	151,578,753
<u>\$ 78,984,810</u>	<u>\$ 30,063,830</u>	<u>\$ 102,843,602</u>	<u>\$ 122,722,559</u>	<u>\$ 142,147,146</u>	<u>\$ 151,586,695</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2016	2015	2014	2013
Expenses:				
Governmental activities:				
Salaries and benefits	\$ 1,727,197	\$ 1,689,772	\$ 1,747,564	\$ 1,704,815
Expenses related to "Zero to Five"	30,870,890	34,608,366	36,672,235	33,341,947
Services and supplies for State School				
Extraordinary Item: Accrual of AB99 liability				
Total expenses	<u>32,598,087</u>	<u>36,298,138</u>	<u>38,419,799</u>	<u>35,046,762</u>
Program revenues:				
Governmental activities:				
Program revenues				
Operating grants and contributions				
Prop 10 Tobacco taxes	\$ 25,879,036	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505
Prop 10 State School Readiness				
First 5 CARES Plus	246,281	575,300	269,033	237,504
First 5 Child Signature Program	2,042,528	3,350,818	2,719,243	90,171
Other State operating grants and				
Federal operating grants	696,686	260,297	902,242	668,105
General revenues				
Investment income earned on tobacco	12,315	8,082	7,071	9,588
taxes at the State Level (SMIF)				
Investment income	441,810	206,029	349,366	122,358
Other revenue	429,235	151,086	56,520	320,180
Extraordinary Item: Reversal of AB99 liability				
Total revenues	<u>\$ 29,747,891</u>	<u>\$ 30,495,236</u>	<u>\$ 30,699,200</u>	<u>\$ 28,472,411</u>
Net (expense) revenue	<u>\$ (2,850,196)</u>	<u>\$ (5,802,902)</u>	<u>\$ (7,720,599)</u>	<u>\$ (6,574,351)</u>



Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 2,094,872	\$ 2,290,308	\$ 2,415,467	\$ 2,439,415	\$ 2,323,471	\$ 2,258,080
31,129,369	49,431,678	46,836,184	54,377,591	51,331,591	42,972,440
		6,844,534	5,660,307	5,959,517	5,856,371
	51,369,439				
<u>33,224,241</u>	<u>103,091,425</u>	<u>56,096,185</u>	<u>62,477,313</u>	<u>59,614,579</u>	<u>51,086,891</u>
\$ 28,988,350	\$ 28,809,921	\$ 29,706,126	\$ 33,396,055	\$ 35,494,096	\$ 37,356,314
435,487		4,349,489	4,294,144	4,114,774	1,706,125
		145,834	104,166	352,597	669,897
592,725	641,124	752,152	1,020,269	1,020,556	2,237,302
11,612	15,331	82,000	82,479	190,332	430,669
481,976	818,294	1,141,118	3,944,954	8,854,562	7,954,594
265,632	26,983	40,509	210,659	148,113	41,527
51,369,439					
<u>\$ 82,145,221</u>	<u>\$ 30,311,653</u>	<u>\$ 36,217,228</u>	<u>\$ 43,052,726</u>	<u>\$ 50,175,030</u>	<u>\$ 50,396,428</u>
<u>\$ 48,920,980</u>	<u>\$ (72,779,772)</u>	<u>\$ (19,878,957)</u>	<u>\$ (19,424,587)</u>	<u>\$ (9,439,549)</u>	<u>\$ (690,463)</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

FUND BALANCES - GENERAL FUND
LAST TEN FISCAL YEARS

	Fiscal Year			
	2016*	2015*	2014*	2013*
FUND BALANCES				
Nonspendable fund balance	\$ 7,277,958	\$ 9,340,291	\$ 10,782,162	\$ 5,624,041
Committed fund balance	26,486,583	30,112,816	34,561,184	44,990,092
Assigned fund balance	20,866,371	15,589,112	16,374,998	21,350,266
Unassigned fund balance				
Total fund balances	<u>\$ 54,630,912</u>	<u>\$ 55,042,219</u>	<u>\$ 61,718,344</u>	<u>\$ 71,964,399</u>

Reserved

- Reserved for encumbrances
- Reserved for contractual obligations
- Reserved for capital projects
- Reserved for First 5 California initiatives

Unreserved

- Designated for program operations
- Designated for future funding cycles and operating budget
- Unreserved

Total fund balances

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



		Fiscal Year			
2012*	2011*	2010	2009	2008	2007
\$ 65,657	\$ 399,279				
45,090,000	35,123,581				
33,560,512					
	(5,547,385)				
<u>\$ 78,716,169</u>	<u>\$ 29,975,475</u>				
		\$ 43,044,502	\$ 70,245,812	\$ 2,207,285	\$ 22,151,367
		24,677,280	27,017,022	68,027,433	
		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
		<u>\$ 102,723,877</u>	<u>\$ 122,506,616</u>	<u>\$ 142,177,579</u>	<u>\$ 151,459,018</u>

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

CHANGES IN FUND BALANCES - GENERAL FUND

LAST TEN FISCAL YEARS

	Fiscal Year			
	2016	2015	2014	2013
Revenues:				
Prop 10 Tobacco taxes	\$ 25,879,036	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505
Prop 10 State School Readiness				
Other State operating grants and contributions		113,719		
First 5 CARES Plus	320,200	272,815	306,465	217,258
First 5 Child Signature Program	4,451,854	2,666,529	117,853	
Investment income earned on tobacco taxes at the State Level (SMIF)	12,315	8,082	7,071	9,588
Federal operating grants	696,686	306,528	741,798	603,957
Investment income	441,810	206,029	349,365	122,358
Other revenue	429,236	151,086	282,705	320,180
Total revenues	<u>32,231,137</u>	<u>29,668,412</u>	<u>28,200,982</u>	<u>28,297,846</u>
Expenditures:				
Current:				
Salaries and benefits	1,771,554	1,736,171	1,774,802	1,708,344
Expenditures related to "Zero to Five" Program	24,621,958	28,193,233	31,347,721	28,712,645
Catalytic Round 1 and 2 Program Funding	6,248,932	6,415,133	5,324,514	4,629,302
Services and supplies for State School Readiness program				
Capital outlay				
Total expenditures	<u>32,642,444</u>	<u>36,344,537</u>	<u>38,447,037</u>	<u>35,050,291</u>
Excess (deficiency) or revenues over (under) expenditures	(411,307)	(6,676,125)	(10,246,055)	(6,752,445)
Other Financing Sources (uses):				
Extraordinary Item: Accrual of AB99 liability				
Extraordinary Item: Reversal of AB99 liability				
Total changes in fund balance	<u>\$ (411,307)</u>	<u>\$ (6,676,125)</u>	<u>\$ (10,246,055)</u>	<u>\$ (6,752,445)</u>

Statistical Section

Schedule 4



Fiscal Year						
2012	2011	2010	2009	2008	2007	
\$ 28,988,350	\$ 28,809,921	\$ 29,706,126	\$ 33,396,055	\$ 35,527,837	\$ 37,356,314	
		4,349,489	4,294,144	4,114,774	10,461,757	
		145,834	104,166	352,597	669,897	
145,487						
11,612	15,331	82,000	82,479	190,332	430,669	
903,770	686,722	840,427	757,061	1,130,638	2,237,302	
481,976	818,294	1,141,118	3,944,954	8,854,562	7,954,594	
90,786	26,983	40,509	210,659	148,113	41,527	
<u>30,621,981</u>	<u>30,357,251</u>	<u>36,305,503</u>	<u>42,789,518</u>	<u>50,318,853</u>	<u>59,152,060</u>	
2,094,972	2,320,099	2,409,027	2,425,403	2,312,004	2,262,578	
31,155,080	49,431,115	46,834,681	54,374,771	51,328,771	42,968,962	
		6,844,534	5,660,307	5,959,517	5,856,371	
<u>33,250,052</u>	<u>51,751,214</u>	<u>56,088,242</u>	<u>62,460,481</u>	<u>59,600,292</u>	<u>51,087,911</u>	
(2,628,071)	(21,393,963)	(19,782,739)	(19,670,963)	(9,281,439)	8,064,149	
	(51,369,439)					
<u>51,369,439</u>						
<u>\$ 48,741,368</u>	<u>\$ (72,763,402)</u>	<u>\$ (19,782,739)</u>	<u>\$ (19,670,963)</u>	<u>\$ (9,281,439)</u>	<u>\$ 8,064,149</u>	

FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY

	Orange County	State Total
Actual Tobacco Tax Revenues Received (1)		
2004/2005	\$40,175,154	\$474,651,747
2005/2006	\$39,332,323	\$468,897,022
2006/2007	\$37,356,302	\$451,562,723
2007/2008	\$35,527,837	\$442,394,748
2008/2009	\$33,396,055	\$424,449,499
2009/2010	\$29,706,126	\$381,995,574
2010/2011	\$28,809,921	\$374,284,018
2011/2012	\$28,988,350	\$377,690,133
2012/2013	\$27,024,505	\$360,434,399
2013/2014	\$26,395,725	\$347,802,124
2014/2015	\$25,943,624	\$342,274,305
2015/2016	\$25,879,036	\$341,825,349
<hr/>		
Projected Tobacco Tax Revenues (2)		
2016/2017	\$24,159,400	\$336,286,400
2017/2018	\$23,313,821	\$325,478,400
2018/2019	\$22,497,837	\$315,278,400
2019/2020	\$21,710,413	\$305,854,400

(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 2015/16 to 2019/20 (Updated 6/27/16 utilizing DOF May Revise 2016 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1970-2023)

STATE OF CALIFORNIA - CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE
FY 1959-60 TO 2014-15

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
2014-15	748,022,000	6,413,000	754,434,000	837,000	86,949,000	28.95%
2013-14	751,513,000	6,443,000	757,956,000	600,000	86,424,000	29.82%
2012-13	782,115,000	6,705,000	788,820,000	498,000	82,548,000	30.68%
2011-12	820,322,000	7,032,000	827,355,000	1,017,000	80,424,000	31.73%
2010-11	828,831,000	7,105,000	835,937,000	1,308,000	77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	50,037,000	52.65% d/
2000-01	1,110,692,000	9,503,000	1,120,195,000	8,741,000	52,834,000	54.89%
1999-00	1,166,880,000	9,980,000	1,176,859,000	9,413,000	66,884,000	66.50%
1998-99	841,911,000 e/	7,206,000	849,117,000	6,808,000	42,137,000 f/	61.53% f/
1997-98	612,066,000	5,244,000	617,309,000	5,448,000	39,617,000	29.37%
1996-97	629,579,000	5,394,000	634,973,000	5,060,000	41,590,000	30.38%
1995-96	639,030,000	5,469,000	644,499,000	6,193,000	32,788,000	31.20%
1994-95	656,923,000	5,628,000	662,551,000	11,159,000	28,460,000	31.20%
1993-94	647,993,000 g/	5,553,000	653,546,000	8,353,000	19,773,000	23.03%
1992-93	667,479,000	5,715,000	673,195,000	9,138,000	21,480,000	26.82%
1991-92	711,275,000	6,086,000	717,362,000	7,791,000	22,016,000	29.35%
1990-91	729,612,000	6,242,000	735,854,000	7,904,000	24,064,000	34.17%
1989-90	770,042,000 h/	6,581,000	776,623,000	11,615,000	24,956,000 h/	37.47%
1988-89	499,712,000 h/	4,273,000	503,984,000	4,968,000	9,994,000 h/	41.67%
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		
1979-80	272,119,000	2,327,000	274,446,000	1,645,000		
1978-79	270,658,000	2,315,000	272,973,000	1,408,000		
1977-78	275,042,000	2,352,000	277,394,000	1,239,000		
1976-77	270,502,000	2,315,000	272,817,000	832,000		
1975-76	269,852,000	2,309,000	272,161,000	927,000		
1974-75	264,182,000	2,262,000	266,444,000	745,000		
1973-74	259,738,000	2,222,000	261,960,000	632,000		
1972-73	253,089,000	2,167,000	255,256,000	626,000		
1971-72	248,398,000	2,127,000	250,525,000	677,000		
1970-71	240,372,000	2,058,000	242,430,000	552,000		
1969-70	237,220,000	2,032,000	239,253,000	455,000		
1968-69	238,836,000	2,046,000	240,882,000	492,000		
1967-68	208,125,000 i/	1,862,000	209,987,000	328,000		
1966-67	75,659,000	1,543,000	77,202,000	129,000		
1965-66	74,880,000	1,528,000	76,407,000	88,000		
1964-65	74,487,000	1,520,000	76,007,000	61,000		
1963-64	71,530,000	1,459,000	72,989,000	71,000		
1962-63	70,829,000	1,445,000	72,274,000	79,000		
1961-62	68,203,000	1,390,000	69,593,000	47,000		
1960-61	66,051,000 j/	1,675,000 k/	67,726,000	76,000		
1959-60	61,791,000 l/	767,000 l/	62,558,000	67,000		

Source: State Board of Equalization 2014-2015 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2014-15

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

- a. Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
- b. A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was 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. 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.

STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2014-15

Fiscal year	Reported distributions (Millions of packages)			Apparent per capita consumption (a.) (In packages)
	Total	Tax paid	Tax exempt	
1	2	3	4	5
2014-15	881	867	14	22.8
2013-14	889	871	18	23.2
2012-13	930	907	23	24.5
2011-12	972	951	21	25.8
2010-11	989	961	28	26.4
2009-10	1,002	972	30	26.9
2008-09	1,090	1,058	32	28.5
2007-08	1,131	1,107	24	29.9
2006-07	1,177	1,158	20	31.3
2005-06	1,209	1,190	19	32.5
2004-05	1,224	1,187	37	33.3
2003-04	1,234	1,184	50	34.0
2002-03	1,227	1,196	31	34.5
2001-02	1,271	1,237	34	36.3
2000-01	1,324	1,288	37	38.5
1999-00	1,390	1,353	38	41.2
1998-99	1,568	1,523	45	47.3
1997-98	1,717	1,668	48	52.6
1996-97	1,777	1,716	61	55.2
1995-96	1,811	1,742	69	56.9
1994-95	1,871	1,791	80	59.2
1993-94	1,903	1,824	79	60.6
1992-93	2,010	1,923	86	64.5
1991-92	2,144	2,050	94	69.8
1990-91	2,196	2,102	93	72.8
1989-90	2,311	2,219	92	78.2
1988-89	2,431	2,353	78	84.7
1987-88	2,657	2,570	87	94.9
1986-87	2,690	2,595	95	98.4
1985-86	2,730	2,632	98	102.3
1984-85	2,781	2,673	108	106.7
1983-84	2,792	2,675	117	109.9
1982-83	2,889	2,761	128	115.8
1981-82	2,947	2,811	136	120.4
1980-81	2,966	2,825	141	123.6
1979-80	2,892	2,744	148	122.9
1978-79	2,887	2,730	157	125.1
1977-78	2,940	2,774	166	130.0
1976-77	2,900	2,728	172	130.9
1975-76	2,909	2,722	187	133.7
1974-75	2,857	2,664	193	133.7
1973-74	2,827	2,620	207	134.4
1972-73	2,762	2,553	209	133.2
1971-72	2,720	2,505	215	132.9
1970-71	2,635	2,424	211	130.5
1969-70	2,594	2,393	201	130.2
1968-69	2,616	2,409	207	133.0
1967-68	2,596	2,383	213	134.0
1966-67	2,737	2,573	164	143.8
1965-66	2,706	2,547	159	144.9
1964-65	2,679	2,534	145	146.7
1963-64	2,564	2,433	131	144.3
1962-63	2,545	2,409	136	147.9
1961-62	2,450	2,320	130	147.3
1960-61	2,382	2,258	124	147.8
1959-60	2,190	2,085	105	139.7

Source: State Board of Equalization 2012-2013: Annual Report Table 30B - Cigarette Distributions and Per Capita Consumption, 1959-60 to 2014-15

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

	2015**	2014**	2013**	2012**	2011**	2010**	2009*	2008*	2007*	2006*
Total Population	3,150,934	3,125,833	3,097,966	3,071,877	3,044,425	3,014,996	2,998,820	2,982,790	2,965,829	2,955,425
White	1,315,990	1,320,738	1,326,819	1,329,770	1,331,740	1,333,762	1,363,087	1,383,364	1,392,586	1,405,485
Hispanic	1,096,271	1,081,072	1,066,140	1,050,465	1,034,150	1,016,837	1,008,604	986,104	972,550	961,383
Asian & Pacific Islander	599,339	595,509	579,232	567,960	556,901	544,849	510,352	499,281	488,521	478,200
Black	46,607	46,221	45,500	45,210	44,929	44,640	44,641	44,520	44,336	44,328
Other/Multi-Race	92,727	82,293	80,275	78,472	76,705	74,908	72,136	69,521	67,836	66,029
Female	1,592,609	1,579,799	1,565,455	1,552,344	1,538,561	1,523,726	1,512,752	1,505,167	1,496,612	1,491,352
Male	1,558,325	1,546,034	1,532,511	1,519,533	1,505,864	1,491,270	1,486,068	1,477,623	1,469,217	1,464,073
Under 5 years	187,300	186,995	187,697	188,862	190,404	191,239	194,723	200,988	202,945	206,581
5-9 years	193,434	195,438	197,174	197,689	197,235	198,206	200,944	206,588	209,284	211,386
10-14 years	201,757	203,099	203,809	205,204	207,822	209,622	209,260	218,622	222,735	226,066
15-19 years	213,441	215,681	218,609	222,302	225,549	227,145	222,780	219,706	215,560	211,947
20-24 years	230,894	230,321	227,482	223,270	218,055	214,213	209,857	210,065	209,122	208,119
25-34 years	433,926	430,882	425,884	421,913	418,208	414,169	411,027	407,538	406,889	410,873
35-44 years	418,871	422,237	425,640	430,099	434,193	437,594	447,102	463,117	468,042	472,297
45-54 years	458,159	456,041	453,141	451,268	448,664	444,819	443,950	431,378	422,705	413,346
55-59 years	212,066	205,759	199,440	192,484	184,962	177,047	172,474	165,260	163,804	161,041
60-64 years	172,545	165,903	160,400	156,367	153,990	148,378	142,894	132,056	125,167	120,075
65-74 years	243,863	232,943	221,626	210,085	197,675	189,141	183,812	171,707	166,405	162,709
75-84 years	125,121	122,408	119,967	117,217	114,869	113,088	111,930	111,338	110,392	109,762
85+	59,557	58,126	57,097	55,117	52,799	50,335	48,067	44,427	42,779	41,223

Sources:

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

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

LIVE BIRTHS, CALIFORNIA COUNTIES, 2006-2015 (By Place of Residence)*

COUNTY	YEAR									
	2015*	2014*	2013	2012	2011	2010	2009	2008	2007	2006
CALIFORNIA	504,304	500,748	494,390	503,788	502,023	509,979	526,774	551,567	566,137	562,157
ALAMEDA	19,433	19,295	19,050	19,550	19,002	19,302	20,320	20,972	21,519	21,058
ALPINE	5	5	6	8	6	4	4	13	13	13
AMADOR	274	272	269	285	269	272	295	288	294	274
BUTTE	2,417	2,401	2,372	2,397	2,392	2,454	2,439	2,518	2,519	2,633
CALAVERAS	330	330	328	347	326	346	338	373	397	393
COLUSA	311	309	306	314	302	338	361	367	386	389
CONTRA COSTA	12,642	12,441	12,173	12,061	12,057	12,352	12,680	13,136	13,485	13,565
DEL NORTE	326	323	317	302	337	372	333	312	356	365
EL DORADO	1,612	1,591	1,561	1,513	1,629	1,618	1,719	1,814	1,881	2,036
FRESNO	16,434	16,231	15,939	15,953	16,157	16,281	16,273	16,760	17,291	16,876
GLENN	409	401	391	368	391	434	424	472	434	455
HUMBOLDT	1,458	1,461	1,455	1,511	1,448	1,551	1,542	1,601	1,599	1,643
IMPERIAL	3,317	3,236	3,139	3,041	3,075	3,072	3,145	3,221	3,148	3,127
INYO	224	222	219	219	213	192	239	226	212	250
KERN	15,159	14,876	14,514	14,558	14,287	14,416	14,827	15,315	15,328	15,104
KINGS	2,471	2,451	2,417	2,357	2,565	2,507	2,644	2,710	2,781	2,683
LAKE	736	733	726	739	715	721	726	705	742	695
LASSEN	308	304	298	298	300	322	325	323	264	259
LOS ANGELES	128,210	128,067	127,194	131,697	130,312	133,160	139,679	147,684	151,813	151,837
MADERA	2,428	2,390	2,339	2,256	2,401	2,434	2,390	2,535	2,611	2,622
MARIN	2,355	2,339	2,310	2,306	2,385	2,368	2,495	2,716	2,819	2,734
MARIPOSA	136	137	137	161	132	145	155	147	141	159
MENDOCINO	1,112	1,098	1,077	1,153	1,061	1,059	1,100	1,168	1,145	1,106
MERCED	4,442	4,372	4,279	4,311	4,281	4,248	4,407	4,423	4,650	4,742
MODOC	71	72	72	78	87	119	85	92	80	80
MONO	143	146	142	131	156	151	139	175	161	192
MONTEREY	6,639	6,614	6,552	6,652	6,814	6,764	7,068	7,434	7,551	7,474
NAPA	1,567	1,538	1,501	1,431	1,572	1,525	1,653	1,671	1,665	1,754
NEVADA	854	835	812	810	761	793	758	871	844	804
ORANGE	38,193	37,917	37,429	38,186	38,100	38,237	40,431	42,456	44,026	44,231
PLACER	4,011	3,919	3,806	3,648	3,832	3,824	3,804	4,035	4,051	3,892
PLUMAS	160	158	156	151	165	170	154	175	186	172
RIVERSIDE	31,762	31,235	30,540	30,316	30,610	30,659	31,601	32,866	34,556	33,659
SACRAMENTO	19,829	19,689	19,439	19,618	19,998	20,055	20,426	21,389	22,110	21,952
SAN BENITO	809	788	763	701	772	735	752	816	882	885
SAN BERNARDINO	30,997	30,716	30,265	30,691	30,573	31,367	31,984	33,788	35,193	34,675
SAN DIEGO	42,812	42,867	42,676	44,391	43,621	44,838	44,960	46,742	47,545	46,876
SAN FRANCISCO	8,916	8,867	8,768	9,070	8,813	8,800	8,807	9,104	9,125	8,609
SAN JOAQUIN	10,597	10,416	10,179	10,129	10,328	10,593	10,872	11,030	11,592	11,782
SAN LUIS OBISPO	2,621	2,608	2,580	2,580	2,632	2,736	2,614	2,737	2,884	2,727
SAN MATEO	8,891	8,878	8,815	9,182	9,047	9,193	9,452	9,765	9,910	9,808
SANTA BARBARA	5,834	5,775	5,684	5,584	5,803	5,819	6,039	6,319	6,289	6,166
SANTA CLARA	23,427	23,392	23,224	24,308	23,652	23,936	25,200	26,730	27,484	26,942
SANTA CRUZ	3,045	3,034	3,005	3,084	3,232	3,190	3,301	3,538	3,571	3,600
SHASTA	2,077	2,070	2,051	2,110	2,021	2,136	2,069	2,186	2,230	2,191
SIERRA	19	19	19	19	23	23	21	22	24	14
SISKIYOU	468	466	462	501	472	434	477	498	512	493
SOLANO	5,327	5,258	5,161	5,061	5,158	5,047	5,392	5,607	5,847	5,801
SONOMA	5,387	5,286	5,157	5,144	5,150	5,391	5,683	5,761	5,742	5,896
STANISLAUS	7,894	7,791	7,644	7,592	7,737	7,804	7,941	8,549	8,826	8,728
SUTTER	1,332	1,315	1,290	1,258	1,326	1,360	1,433	1,468	1,497	1,577
TEHAMA	777	766	751	767	728	767	814	790	765	818
TRINITY	104	106	108	125	123	107	116	126	117	122
TULARE	8,084	7,991	7,854	8,000	7,966	8,155	8,362	8,533	8,505	8,284
TUOLUMNE	446	446	444	459	430	487	425	486	474	495
VENTURA	10,884	10,754	10,565	10,641	10,656	11,147	11,353	12,076	12,194	12,453
YOLO	2,508	2,476	2,430	2,452	2,340	2,426	2,483	2,669	2,522	2,646
YUBA	1,272	1,255	1,232	1,213	1,282	1,223	1,245	1,264	1,349	1,341

Source: Historical births through 2013, California Department of Public Health, Center for Health Statistics and Informatics Vital Statistics Unit.

*2014 and 2015 Projected

CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2004-2014

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GOOD HEALTH											
Total percentage of women who received early prenatal care*	****	88.30%	88.6%	88.7%	89.0%	88.2%	87.8%	88.0%	91.0%	91.4%	91.7%
Women with prenatal care in the first trimester*	****	32,885	33,814	33,780	34,018	35,650	37,267	38,727	38,364	38,365	41,306
Newborns with low birth weight (less than 2,500 grams)*	****	2,330	2,401	2,550	2,462	2,670	2,705	2,879	2,816	2,826	2,782
Percent of Newborns with low birth weight*	****	6.3%	6.3%	6.7%	6.4%	6.6%	6.4%	6.5%	6.4%	6.4%	6.2%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth* (FY)	110	98	82	128	89	81	107	158	164	165	203
Children adequately immunized at age 2*	78.90%	73.6%	75.7%	78.1%	74.8%	76.6%	81.1%	76.9%	78.9%	78.9%	77.6%
Infant Deaths*	****	123	130	160	147	165	202	187	224	211	179
Infant Mortality Rate (per 1,000 live births)*	****	3.3	3.4	4.2	4.0	4.1	4.8	4.2	5.1	4.8	4
Birth rates per 1,000 females ages 15-19 in Orange County*	****	16.7	19.2	20.2	22.5	25.3	27.7	29.6	31.3	30.4	30.9
Breastfeeding Percentages (any)*	94.8%	94.0%	93.2%	93.2%	92.7%	88.0% ***					
Breastfeeding Percentages (exclusive)*	64.6%	62.7%	62.1%	59.8%	55.6%	39.2% ***					
ECONOMIC WELL-BEING											
Children receiving financial assistance through CalWORKS* (FY)	42,877	43,916	45,950	46,809	42,793	35,962	31,932	32,040	33,618	36,245	37,384
Percent of children receiving CalWORKS of total population under 18* (FY)	6.0%	6.1%	6.2%	5.9%	5.4%	4.5%	4.0%	4.0%	4.0%	5.0%	5.0%
Number of students receiving free and reduced lunch* (FY)	243,432	238,891	226,854	228,121	227,820	211,179	197,671	184,956	193,802	200,340	196,430
Percentage of students receiving free and reduced lunch* (FY)	49.0%	47.9%	46.4%	45.4%	44.4%	43.1%	40.0%	39.0%	39.0%	39.0%	38.0%
Number of participants served by the WIC program* (FY)	87,408	92,303	98,219	103,563	100,434	104,622	117,188	107,595	95,635	98,635	99,115
Total number of child support cases* (FY)	68,635	70,608	77,582	89,852	100,056	103,598	94,860	94,769	97,425	98,503	99,134
Total child support collections \$ (in millions)* (FY)	177.9	178.6	180.1	177.4	177.2	180.3	179.6	179	176.8	176.9	171.9
EDUCATIONAL ACHIEVEMENT											
Total public school enrollment* (FY)	500,487	501,801	502,195	502,895	502,239	504,136	503,255	503,955	510,114	513,744	515,464
Number of English learner students* (FY)	130,570	123,290	130,076	126,226	141,605	140,887	142,833	141,762	144,118	149,535	153,055
Average \$ expenditure per pupil for grades K-12* (FY)	8,274	7,950	7,952	7,827	7,955	8,267	8,224	7,866	7,228	6,798	6,750
Total number of students K-12 receiving special education* (FY)	53,005	52,216	51,905	51,613	51,208	51,394	51,486	51,047	51,131	52,243	51,514
SAFE HOMES AND COMMUNITIES											
Average monthly number of children in out-of-home care* (FY)	2,279	2,257	2,215	2,018	2,195	2,466	2,668	2,562	2,394	2,566	2,772
Average monthly number of dependents of the court* (FY)	2,683	2,862	2,791	2,795	3,050	2,453	3,687	3,468	3,210	3,425	3,706
Total number of finalized adoptions within 12 months legally free*	****	213	173	179	203	211	203	228	212	259	283
Total juvenile arrests for youth 10 to 17 years of age*	****	6,892	8,566	10,797	13,485	14,341	14,914	14,988	14,021	12,985	12,989
Total number of juveniles referred to probation, 10 to 18 years*	****	7,821	8,882	10,454	11,533	11,531	12,456	11,900	10,852	10,772	10,092

* The 21st Annual Report on the Condition of Children in Orange County 2015 presents dates through calendar year 2014. Data through FY 2014-15 not yet available.

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

CURRENT YEAR AND NINE YEARS AGO

2016*

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	29,000	1	2.00%
University of California, Irvine	23,102	2	1.59%
St. Joseph Health System	11,925	3	0.82%
Kaiser Permanente	7,348	4	0.51%
Boeing Co.	6,470	5	0.45%
Wal-Mart Stores Inc.	6,000	6	0.41%
California State University, Fullerton	5,750	7	0.40%
Bank of America Corp.	5,500	8	0.38%
Universal Services of America	5,500	8	0.38%
Memorial Care Health System	5,400	10	0.37%
Target Corp.	5,400	10	0.37%

2007**

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	20,000	1	1.22%
County of Orange	18,301	2	1.12%
University of California, Irvine	17,579	3	1.08%
St. Joseph Health System	10,047	4	0.61%
Boeing Co.	9,961	5	0.61%
Yum Brands Inc.	7,200	6	0.44%
AT&T Inc.	6,000	6	0.37%
California State University, Fullerton	5,634	8	0.34%
Home Depot, Incorporated	5,450	9	0.33%
Bank of America Corp.	5,000	10	0.31%

* 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 2008 County of Orange CAFR

**EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of Employees by Function										
General Administration	3	3	3	4	6	7	7	7	8	7
Finance	2	2	2	1	2	2	2	2	1	2
Contracts Administration	3	4	4	4	4	5	5	5	5	5
Program Management & Evaluation	4	4	4	4	3	3	4	4	4	2
Total Employees	<u>12</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>16</u>

* Table presents Regular and Limited-Term Employees



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 27, 2016. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Laguna Hills, California
September 27, 2016



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, 2016.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion

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

Purpose of Report

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



Laguna Hills, California
September 27, 2016