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, 2019

Prepared by:

Michael Garcell, CPA

Finance Manager

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2019

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October 30, 2019

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 Eide Bailly, 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, 2019, 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, 2019. 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 auditor's 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 approximately $805 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 2018, the Board of Commissioners reviewed the updated Long-Term Financial Plan (LTFP). The LTFP, which is reviewed annually to incorporate the prior year-end financials as well as updated revenue projections, continues to anticipate annual decreases in Proposition 10 tobacco tax collections. Since its peak in 2000, the Commission has had an overall reduction of over 45% in revenue, and tobacco revenue is projected to continue to decline at a rate of 3% to 4% annually.

Legislation and voter initiatives passed that directly affect tobacco tax sales and tax revenue. An increase to the legal age for the purchase of tobacco products from 18 to 21, a new licensing fee administered by the Board of Equalization to cover administrative costs previously charged to First 5's, and the passage of Proposition 56, a $2.00 tax increase, all have varying degrees of impact on tobacco tax revenue.

After a significant decline in tobacco tax revenue for Fiscal-Year 2017-2018 due to the lag in implementing the backfill provision of Proposition 56 passed in November 2016. An overall increase in tobacco tax revenue occurred in Fiscal Year 2018-2019 due in part to the first full year of Proposition 56 backfill. Given this overall volatility, the Board of Commissioners directed staff to develop three-year funding renewal recommendations, working under the direction of Commissioner-led funding renewal panels. Fiscal-Year 2018-2019 was the second of the three-year cycle.

Under the direction of Commissioner-led program review teams, staff developed three-year funding renewal recommendations which were presented and approved by the Board of Commissioners at their February 2017 meeting. The program review teams used core program criteria to review the portfolio of programs funded by the Commission to determine which programs align with the Commission's mission and operations. Core programs were those that met one or more of the following criteria:

1. Aligns outcome-oriented goals with the Commission' s Strategic Plan
2. Provides a financial or social Return on Investment
3. Pursues leveraging or sustainability strategies
4. Provides a critical partnership to advancing the Commission's goals
5. Serves an extremely vulnerable population

Strategic Plan
The Proposition 10 initiative requires that each county Commission review its Strategic Plan on at least an annual basis and revise the plan as necessary or appropriate. The Strategic Plan addresses the health and early education needs of young children and their families and identifies program specific measures that accurately reflect the diverse services the Commission funds. The Strategic Plan focuses on Orange County's priorities and initiatives in the goal areas of Healthy Children, Early Learning, Strong Families, and Capacity Building. The vision and mission that children are healthy and ready to learn remains the overall goal of all Commission-funded programs. The Strategic Plan was reviewed and updated for Fiscal Year 2018/2019. The vision, mission, and goals remain the same, and approval of the reviewed Strategic Plan is recommended.

During Fiscal Year 2018/2019 the Commission conducted a planning process to update the Strategic Plan. The steps in the process began with targeted community outreach and public study sessions that included one-on-one meetings with key stakeholders and Commission members to develop measurable objectives in three goal areas: Resilient Families, Quality Early Learning, and Comprehensive Health and Development. The new Strategic Plan concepts were presented in an open house format in November 2018 at the Delhi Center in Santa Ana. More than 150 people attended representing community organizations, elected leaders, school districts, businesses, non-profit organizations, universities and philanthropic foundations. Updates on the Strategic Planning Process and opportunities for public comment were provided at the Commission meetings in August, October, and December. The February 2019 planning meeting was dedicated as a comprehensive review of the draft Strategic Plan. The final Strategic Plan was adoption at the April 2019 Commission meeting.

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 2018-2019 was adopted on April 4, 2018 with subsequent adjustments approved on October 3, 2018 and April 3, 2019. 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, 2018. This was the tenth 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 Eide Bailly, 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,

Kimberly Goll
Executive Director

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
BOARD OF COMMISSIONERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COMMISSION BOARD MEMBERS (9)

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

Ramin Baschshi, M.D. (A)
Vice Chair

Debra Baetz (M)
Social Services Agency

Sandra Barry (A)

Doug Chaffee (M)
Board of Supervisors

Jackie Filbeck (A)

Kenneth McFarland (A)

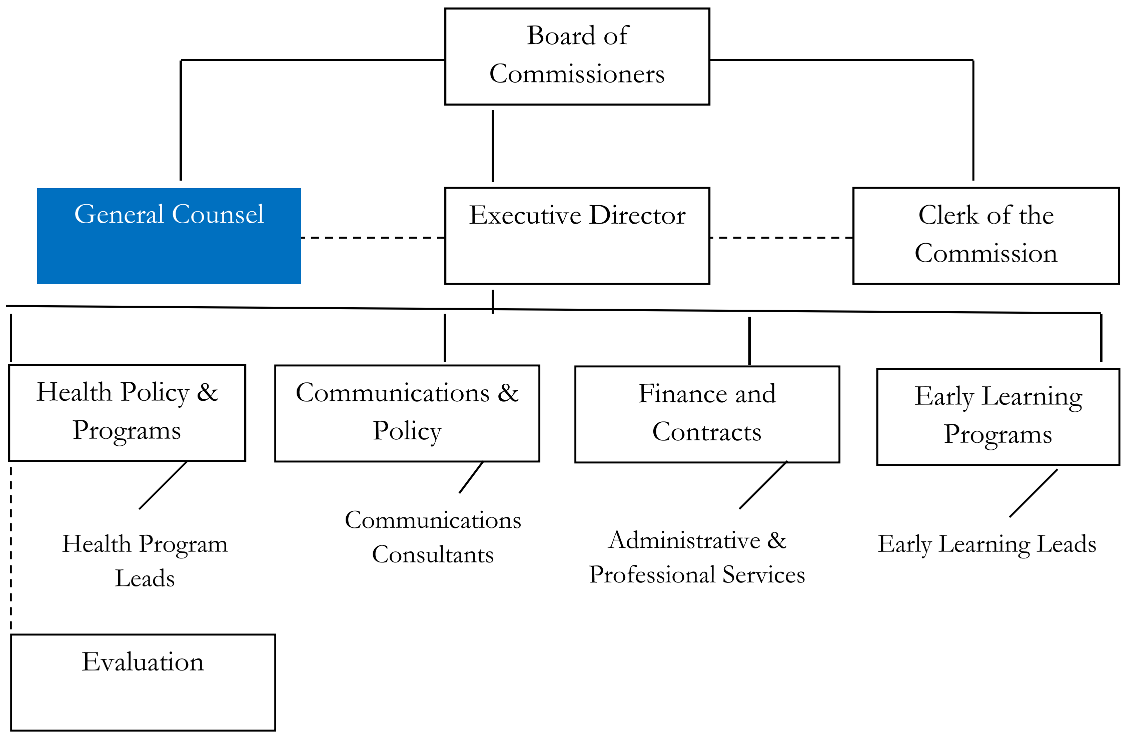
Sandra Pierce (A)

Richard Sanchez (M)
Health Care Agency

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

COMMISSION

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
ORGANIZATION CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



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, 2018

Christopher P. Morrill

Executive Director/CEO

CPAs & BUSINESS ADVISORS

Independent Auditor's 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, 2019, 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.

Auditor's 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, 2019, 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.

What inspires you, inspires us. | eidebailly.com

25231 Paseo De Alicia, Ste. 100 | Laguna Hills, CA 92653-4615 | T 949.768.0833 | F 949.768.8408 | EOE

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and net OPEB liability and schedule of the Commission contributions, as listed in the table of contents, 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, combining and individual nonmajor fund financial statements, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of 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 October 30, 2019, 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 solely 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 the effectiveness of the Commission's 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.

Eide Bailly LLP

Laguna Hills, California
October 30, 2019

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, 2019. 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 $40.7 million at the end of the current fiscal year, an increase of $3.2 million (8.7%) from the prior fiscal year. The increase in Net Position is primarily due to the receipts of program reimbursement revenues along with the planned decrease in overall program spending.

- As of June 30, 2019, the Commission's governmental fund statements reported an ending fund balance totaling $37.3 million, a slight increase of $.15 million (0.41%).

- The total ending fund balance of $37.3 million was classified into the following categories: $3.9 million as non-spendable, $14.5 million as committed, and $19 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 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.

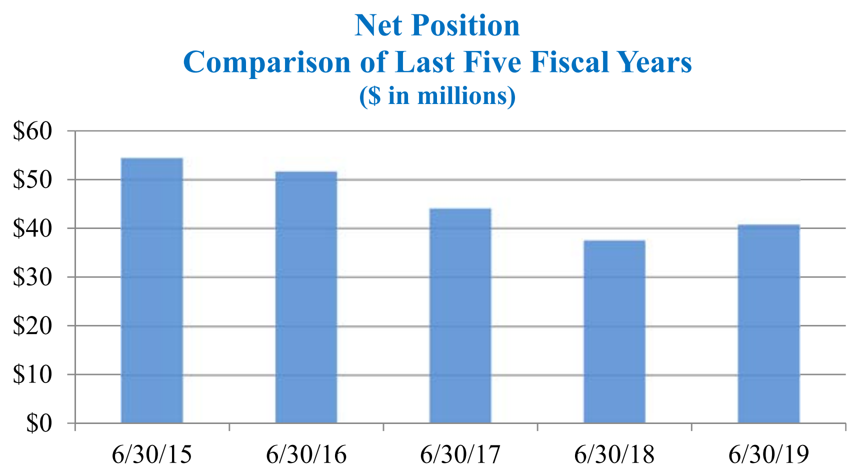
ANALYSIS OF THE COMMISSION'S GOVERNMENT-WIDE FINANCIAL STATEMENTS

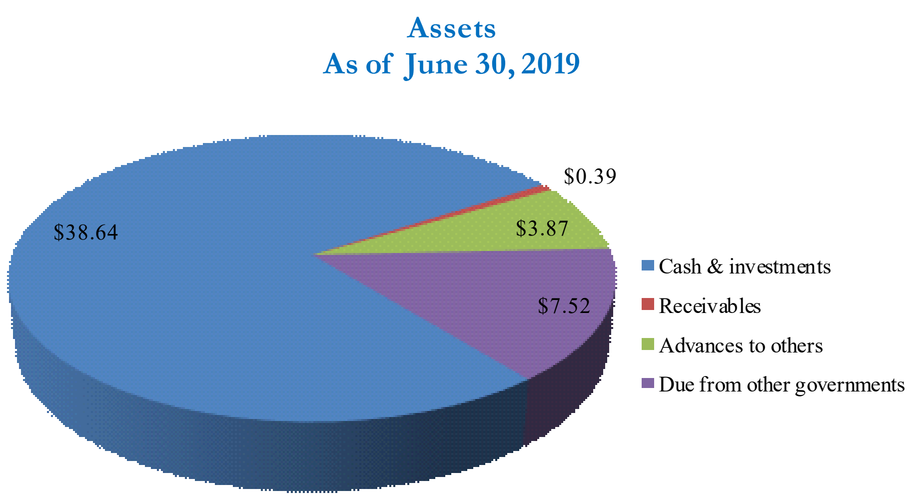
Net Position

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 $40.7 million at the end of the current fiscal year, an 8.7% increase from the prior fiscal year's restated net position. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2019 and June 30, 2018.

The Commission's net position as of June 30, 2019 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

	FY 2018-19	FY 2017-18	Percent Increase (Decrease)
Assets:			
Cash and investments	$ 38,633,125	$ 37,027,415	4.3%
Imprest cash	10,000	10,000	0.0%
Interest receivable	253,633	145,324	74.5%
Due from County of Orange	134,181	33,034	306.2%
Due from other governments	7,520,655	7,056,854	6.6%
Advances to others	3,870,545	4,472,194	-13.5%
Total assets	50,422,139	48,744,821	3.5%
Deferred Outflows of Resources:			
Pension related amounts	124,083	195,932	-40.5%
OPEB related amounts	32,000	18,000	77.8%
Total deferred outflows of resources	156,083	213,932	-30.5%
Liabilities:			
Accounts payable and accrued liabilities	2,301,929	3,329,998	-30.9%
Due to County of Orange	1,814	4,294	-57.8%
Due to other governments	4,210,732	3,965,257	6.2%
Retentions payable	1,227,891	1,595,761	-23.1%
Accrued wages and benefits	31,429	33,053	-4.9%
Compensated absences:			
Payable within one year	63,780	47,134	35.3%
Payable after one year	4,657	5,988	-22.2%
Net Pension Liability	630,611	962,203	-34.5%
Net OPEB Liability	290,000	276,000	5.1%
Total liabilities	8,762,843	10,219,688	-14.3%
Deferred Inflows of Resources:			
Pension related amounts	1,131,282	1,282,535	-11.8%
OPEB related amounts	-	10,000	-100.0%
Total deferred inflows of resources	1,131,282	1,292,535	-12.5%
Net Position:			
Unrestricted	40,684,097	37,446,530	8.7%
Total net position	$40,684,097	$37,446,530	8.7%


Net Position
Comparison of Last Five Fiscal Years
($ in millions)
$60
$50
$40
$30
$20
$10
$0
6/30/15
6/30/16
6/30/17
6/30/18
6/30/19


Assets
As of June 30, 2019
$38.64
$0.39
$3.87
$7.52
Cash & investments
Receivables
Advances to others
Due from other governments

Assets, Current and Other

- Cash and investments totaled $38.6 million. All $38.6 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 4.3% due to receipts of payments for program reimbursements.

- Due from other governments totaled $7.5 million. Of this amount, $5.1 million is Prop 10 tobacco tax revenue due from the State of California for April, May, and June 2019 allocations and $1.2 million for the First 5 California IMPACT and Hubs Programs and the California Department of Health Care Services Dental Transformation Initiative.

- Advances to others totaled $3.9 million and represents funds advanced to contractors for services not provided by June 30, 2019. Another $3 million was remaining as an advance for Emergency Shelter Catalytic programs and $0.5 million for Early Literacy and Math programs. The advances cover future periods up to Fiscal Year 2020.

- Other current assets consist of $0.40 million in interest and miscellaneous reimbursements.

Deferred Outflows of Resources

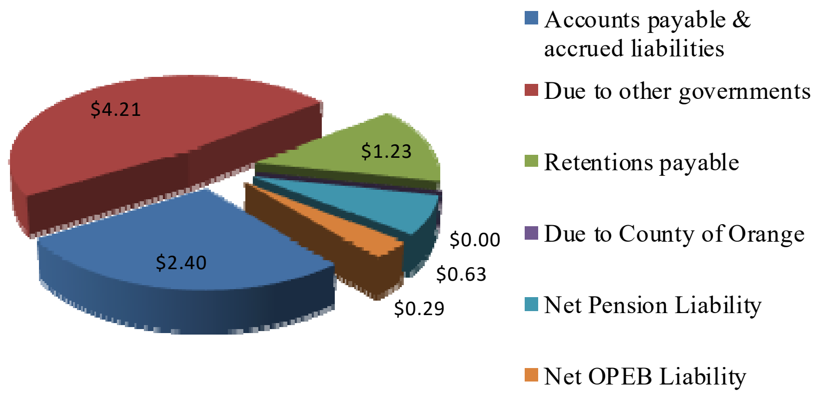
- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System, and the cost-sharing multiple-employer County of Orange Retiree Benefit Plan. As a participant, the Commission is required to report its proportionate share of deferred outflows of resources related to pensions and other post-employment benefits.

- Commission early payment contributions of $18,488 of the collective net pension liability are required to be reported as deferred outflows of resources related to pensions. Deferred outflows of resources also include $53,458 for changes of assumptions over the measurement period ending December 31, 2018.

- Government Accounting Standards Board Statement No. 75 requires deferred outflows of resources related to other postemployments benefits (OPEB) be recognized in the Commission financial statements. Total deferred inflows related to OPEB of $32,000 is for OPEB contributions subsequent to the measurement date of December 31, 2018.

- Note 8 and 12 to the Commission financial statements provides further detail of all deferred outflows of resources reported in Fiscal Year 2018-2019.

Liabilities
As of June 30, 2019



Liabilities

- Accounts payable and due to other governments totaling $6.5 million. Payables to grantees services not yet billed at June 30, 2019 are based on established contract terms. This balance represents a decrease of 10.7% from the prior year due to both timing of invoices for program partners and the increased program activity for First IMPACT and Hubs and California Department of Health Care Services Dental Transformation Initiative.

- Retentions payable totaling $1.2 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 $0.1 million consisting of amounts due to the County of Orange and accrued wages, benefits and compensated absences.

- Net pension liability of $.63 million is reported and represents a decrease of $.33 million or 34.5% from the liability for the prior year. Some contributing factors to the decrease were the change in proportionate share, the difference in actual and projected earnings on pension plan investments, and the difference between expected and actual experience.

Deferred Inflows of Resources

- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System, and the cost-sharing multiple-employer County of Orange Retiree Benefit Plan. As a participant, the Commission is required to report its proportionate share of deferred inflows of resources related to pensions and other post-employment benefits.

- 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 $1.1 million is the result of the net difference between projected and actual earnings on pension plan investments, 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, 2018.

- Note 8 and 12 to the Commission financial statements provides further detail of all deferred inflows of resources recognized in Fiscal Year 2018-2019.

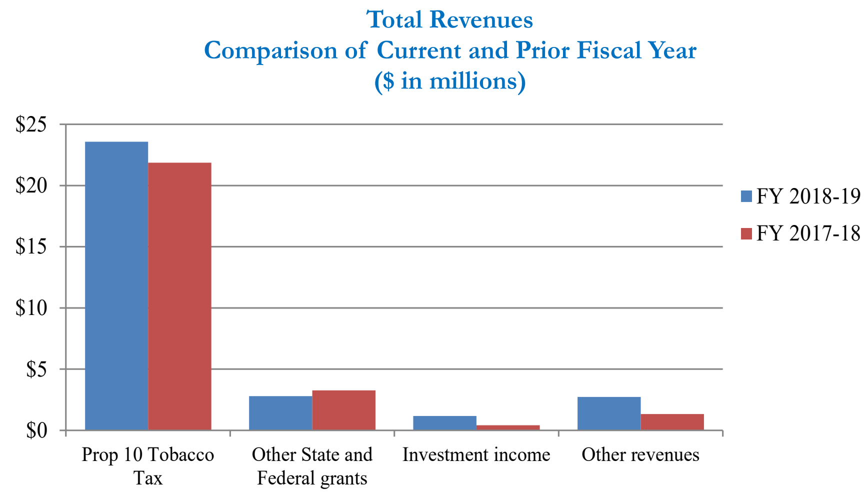
Changes in Net Position

For the year ended June 30, 2019, current year operations increased the Commission's net position by $3.2 million. The increase is due to both the timing of revenues from outside program funding and the overall planned reduction of program expenditures. 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, 2019 and June 30, 2018.

	FY 2018-19	FY 2017-18	Percent Increase (Decrease)
Revenues:			
Program Revenues			
Tobacco taxes	$23,573,280	$21,867,232	7.8%
Other State and Federal operating grants and contributions	2,795,566	3,265,713	-14.4%
Interest income earned on tobacco taxes at the State	64,514	31,875	102.4%
Total program revenues	26,433,360	25,164,820	5.0%
General Revenues			
Investment income	1,188,495	431,764	175.3%
Other revenues	2,680,689	1,300,246	106.2%
Total general revenues	3,869,184	1,732,010	123.4%
Total revenues	30,302,544	26,896,830	12.7%
Expenses:			
0-5 Child development programs	26,092,909	32,076,788	-18.7%
Salaries and benefits	972,068	1,149,376	-15.4%
Total expenses	27,064,977	33,226,165	-18.5%
Change in net position:	**3,237,564**	**(6,329,335)**	
Net position – July 1	37,446,530	43,775,865	-14.5%
Net position – June 30	$40,684,097	$37,446,530	8.7%

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.



- *Program revenues*
  The Commission's program revenues totaled $26.4 million in Fiscal Year 2018-2019 and accounted for 87.2% of total revenues. This represented an increase of $1.3 million (5.0%) from Fiscal Year 2017-2018 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 increased by $1.7 million (7.8%) from the prior fiscal year.
    - The California Children and Families Commission (First 5 California) forecasted an increase for Fiscal Year 2018-2019 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. The increase in revenue is due to the first full year of backfill under Proposition 56 which increased sales tax of an additional $2.00 per pack approved by voters.

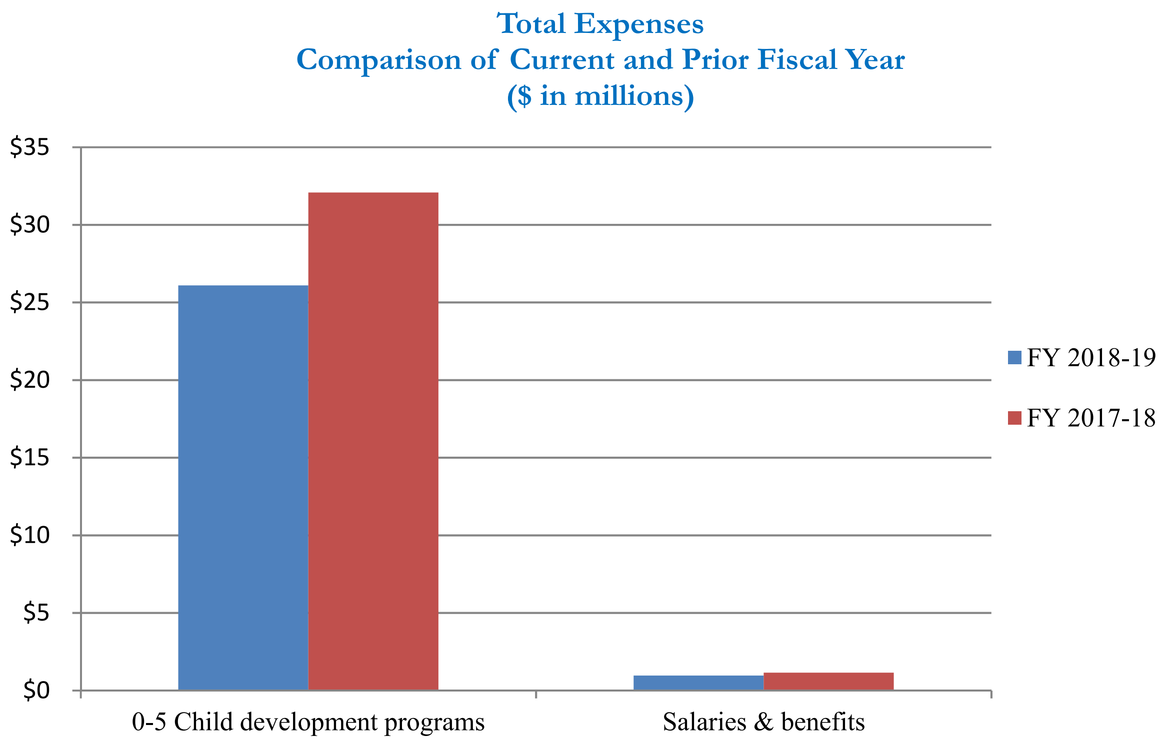
  - Other State and Federal operating grants and contributions for Fiscal Year 2018/2019 includes revenue from the state-wide IMPACT and Hubs program reimbursement, Dental Transformation Initiative, and the CalWorks Home Visiting Initiative program.

- *General revenues*
  The Commission's general revenues totaled $3.9 million in Fiscal Year 2018-2019 and accounted for 12.8% 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 $0.76 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 higher investment returns on cash balances maintained by the Commission.

Governmental Activities Expenses

Total expenses decreased by $6.2 million (18.5%) from the prior fiscal year. The decrease is due to one-time payments for the Catalytic IGT program and Commission's unfunded pension liability along with planned reductions in overall program expenses. Fiscal Year 2018-2019 was the sixth year for Round 1 and 2 Catalytic funding.



- Zero-to-five child development programs decreased by $6 million (-18.7%) 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. The decrease is due to the previously mentioned one-time-payments and overall lower program funding. Overall, reduced program spending is a component of the Commission's long-term financial plan. Prop 10 tobacco tax revenue has been and will continue as a declining revenues source. To focus on sustainability and service delivery while allowing for decreased revenue, the long-term financial plan incorporates a step-down approach to annual program funding over the next ten years.

- Salaries and benefits decreased by $1.8 million (-55.4%) from the prior fiscal year due to vacant staff positions during the year.

ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND STATEMENTS

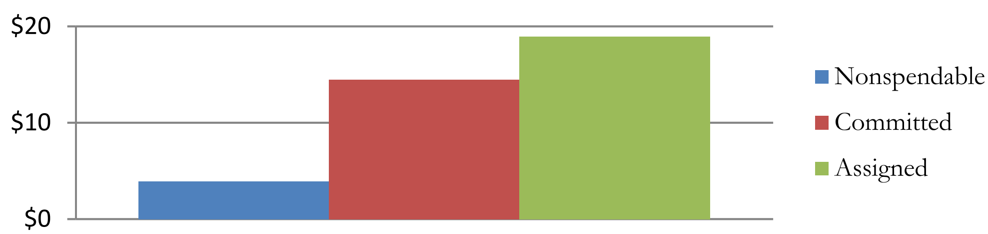
As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. Proposition 10 Tobacco Tax revenue for May and June in the amount of $3.6 million, First 5 California and California Department of Healthcare Services program revenues of approximately $1.76 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 $37.3 million, an increase of $0.15 million (.41%) in comparison with the prior fiscal year.

Fund Balance Classifications
As of June 30, 2019
($ in millions)



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 $2.9 million. The amendments were based on additional funding Dental Transformation Initiative reimbursements and budget carryovers for the First 5 IMPACT and Hubs programs.

- Total budgeted appropriations were increased by $3.1 million in the 0-5 child development program expenditures line items not including amounts budgeted for Catalytic programs. The increases are due mostly to the addition of expenses related to new and carryover funding for grants funded by outside organizations.

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 Fiscal Year 2018-2019 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were below budgeted revenues in Fiscal Year 2018-2019 by over $3.7 million mostly due to the timing of revenue recognition. Tobacco revenues reported are $3.1 million under budget and actual revenue for the period July 2018 to June 2019 was under budget by $3.8 million. Revenue that is not received within sixty days of the fiscal year-end is not recognized as revenue and is deferred until the next year. Because the May and June tobacco tax revenue payments were delayed past the sixty-day period, these amounts are not reported as revenue in the current year.

- Total budgeted appropriations exceeded actual expenditures in Fiscal Year 2018-2019 by $6.5 million due to underspending in different program areas as well as salary and benefits.

  - 0-5 child development program expenditures were less than budgeted appropriations by $4.6 million. The underspend due mostly to the timing of expenditures related to the Dental Transformation Initiative, First 5 MPACT & Hubs, and the CalWorks Home Visitation Initiative. The original appropriations for these programs represent total funds available through each program award, but each program has unique scheduling and timelines that guide when funds are expended. Typically, the awarding agencies allow for the carryover of unspent funds into the following year. When appropriate and approved by the awarding agency, the appropriations in future years will be revised to include the carryover funds.

  - Salaries and benefits actual expenditures were less than budgeted appropriations by $0.22 million due to two vacant staff positions and underspending projections for different benefits.

  - Catalytic expenditures were $4.5 million compared to the final budget of $6.2 million. Fiscal Year 2018-2019 was the seventh year of Round 1 and 2 catalytic funds were disbursed. The total funding amount of approximately $56.3 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 Fiscal Year 2018-2019 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 included in 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-Round Emergency Shelter	7,000,000
Early Literacy and Math	5,000,000
Healthy Child Development	5,500,000
VISTA / AmeriCorps transition feasibility	25,000
	$44,525,000

Round 2:	
Capacity Building	$3,000,000
Partnership for Children's Health	3,825,552
Prevention Services	500,000
Nutrition and Fitness	500,000
Pediatric Vision Services	1,500,000
Catalytic Unallocated and Matching Funds	2,400,000
	$11,725,552

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The State Department of Finance projects a continuing decrease of tobacco revenue even though revenue did increase. This was due solely to the first full year of implementing the Proposition 56 backfill. 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 had 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, and an annual Board of Equalization (BOE) licensing fee of $265 for tobacco retailers replaced the former one-time fee. The new fee will create savings in the BOE fees the Commission pays annually resulting in additional revenue.

In November 2016, voters approved Proposition 56 adding a $2.00 tobacco tax and expending the definition of tobacco products. A backfill provision was included in Proposition 56. The Commission received backfill in the amount of $2.3 million covering the period July 1, 2017 to June 30, 2018. The long-term outlook is still estimated at an annual decline in the 3.5% range. The same rate the Commission has used for financial planning for years.

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.

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, 2019. 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, 2019

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments in County Treasury	$ 38,633,125
Imprest cash	10,000
Interest receivable	253,633
Due from County of Orange	134,181
Due from other governments	7,520,655
Advances to others	3,870,545
Total Assets	50,422,139
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	124,083
OPEB related amounts	32,000
Total Deferred Outflows of Resources	156,083
LIABILITIES	
Accounts payable	2,301,929
Due to County of Orange	1,814
Due to other governments	4,210,732
Retentions payable	1,227,891
Accrued wages and benefits	31,429
Compensated absences:	
Payable within one year	63,780
Payable after one year	4,657
Net pension liability	630,611
Net OPEB liability	290,000
Total Liabilities	8,762,843
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	1,131,282
Total Deferred Inflows of Resources	1,131,282
NET POSITION	
Unrestricted	40,684,097
TOTAL NET POSITION	$ 40,684,097

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants And Contributions	Governmental Activities
Governmental Activities:			
Child development	$ 27,064,977	$ 26,433,360	$ (631,617)
General Revenues:			
Investment income			1,188,495
Miscellaneous			2,680,689
Total General Revenues			3,869,184
Change in Net Position			3,237,567
Net Position, July 1			37,446,530
Net Position, June 30			$ 40,684,097

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2019

		General Fund
ASSETS		
Cash and investments in County Treasury	$	38,633,125
Imprest cash		10,000
Interest receivable		253,633
Due from County of Orange		134,181
Due from other governments		7,520,655
Prepaid Pensions		18,488
Advances to others		3,870,545
Total Assets	$	50,440,627
LIABILITIES		
Accounts payable	$	2,301,929
Due to County of Orange		1,814
Due to other governments		4,210,732
Retentions payable		1,227,891
Accrued wages and benefits		31,429
Total Liabilities		7,773,795
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - unavailable revenue		5,373,644
Total Deferred Inflows of Resources		5,373,644
FUND BALANCES		
Nonspendable fund balance		3,889,033
Committed fund balance		14,472,082
Assigned fund balance		18,932,073
Total Fund Balances		37,293,188
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	50,440,627

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, 2019

Fund balances of governmental funds	$ 37,293,188
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	(18,488)
Deferred outflows of resources:	
Pension related amounts	124,083
OPEB related amounts	32,000
Long-term liabilities, including Compensated absences, Net Pension Liability and Net OPEB Liability, are not due and payable in the current period and therefore are not reported in the funds.	(989,048)
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.	5,373,644
Deferred inflows of resources:	
Pension related amounts	(1,131,282)
Net Position of governmental activities	$ 40,684,097

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, 2019

	General Fund
REVENUES	
Prop 10 Tobacco Tax	$ 20,023,365
Other State operating grants and contributions	2,755,797
Federal operating grants	674,988
Investment income	1,188,495
Other revenue	3,031,940
Total Revenues	27,674,585
EXPENDITURES	
Current:	
Salaries and benefits	1,429,544
Expenditures related to the "Zero to Five" Programs	21,571,505
Catalytic Round 1 and 2 Program Funding	4,521,405
Total Expenditures	27,522,454
Change in Fund Balance	152,131
FUND BALANCE, July 1	37,141,057
FUND BALANCE, June 30	$ 37,293,188

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, 2019

Net changes in fund balance - total governmental funds	$	152,131
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 and OPEB contributions as expenditures. However, in the Statements of Activities, pension and OPEB expense is measured as the change in the net pension and net OPEB liability and the amortization of deferred outflows and inflows related to pensions and OPEB. This amount represents the change in pension and OPEB related amounts.		
Pension related amounts		482,792
OPEB related amounts		(10,000)
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.		(15,315)
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.		2,627,959
Change in net position of governmental activities	$	3,237,567

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, 2019

	Budgeted Amouts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Prop 10 Tobacco Tax	$ 23,146,372	$ 23,146,372	$ 20,023,365	$ (3,123,007)
Other State operating grants and contributions	4,740,902	7,120,902	2,755,797	(4,365,105)
Federal operating grants	180,000	749,718	674,988	(74,730)
Investment income	150,000	150,000	1,188,495	1,038,495
Other revenue	212,600	287,600	3,031,940	2,744,340
Total Revenues	28,429,874	31,454,592	27,674,585	(3,780,007)
EXPENDITURES				
Current:				
Salaries and benefits	1,647,057	1,647,057	1,429,544	217,513
Expenditures related to the "Zero to Five" Program	22,903,213	26,165,759	21,571,505	4,594,254
Catalytic Round 1 and 2 Program Funding	6,215,968	6,215,968	4,521,405	1,694,563
Total Expenditures	30,766,238	34,028,784	27,522,454	6,506,330
Net Change in Fund Balance	(2,336,364)	(2,574,192)	152,131	10,286,337
FUND BALANCE, July 1	37,141,057	37,141,057	37,141,057	-
FUND BALANCE, June 30	$ 34,804,693	$ 34,566,865	$ 37,293,188	$ 10,286,337

See accompanying notes to the basic financial statements.

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

<u>Government-Wide Financial Statements</u>

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 represents the resources the Commission has available for use in providing services. The Commission's net position is classified as:

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

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.

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 and other post-employment benefits 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

Capital assets are not considered to be a financial resource and therefore, is not reported as an asset in the fund financial statements. Capital assets are 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 historical 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, 2019 to June 30, 2020. Because the next actuarial valuation to determine the Commission's net pension liability will occur on December 31, 2019, $18,488 of the prepaid contributions are 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.

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

Differences 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. Compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities. Compensated absences are liquidated by the general fund.

Pension Plan

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, 2018. 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.

Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the County of Orange Retiree Benefit Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

OPEB	
Valuation Date	June 30, 2017
Measurement Date	December 31, 2018
Measurement Period	January 1, 2018 to December 31, 2018

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

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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.

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, 2019, 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, 2019:

> 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.

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

Fund Balance (Continued)

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.

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 approved contracts in force. 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 $33.8 million represent Board-approved future year contracts for Catalytic Programs ($6.3 million) and annual programs and operations ($27.6 million). The most significant Catalytic Program encumbrance is for Children's Dental ($4.8 million). The three largest program encumbrance balances are for the Dental Transformation Initiative ($5.3 million), Bridges: Maternal Child Health Network ($5.3 million each), and First 5 IMPACT and Hubs ($5 million). Encumbrances for Catalytic Programs are reported in Committed fund balance and encumbrances for other programs are reported in Assigned fund balance.

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

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. 83 – In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Commission has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement is effective for the reporting periods beginning after June 15, 2018. The Commission has determined that this Statement does not have a material impact on the financial statements.

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

Effective in Future Fiscal Years

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Commission has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019. The Commission has not determined the effect of the Statement.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for the reporting periods beginning after December 15, 2019. The Commission has not determined the effect of the Statement.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for the reporting periods beginning after December 15, 2018. The Commission has not determined the effect of the Statement.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Commission has not determined the effect on the financial Statement.

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments in County Treasury	$ 38,633,125
Imprest Cash	10,000
Total Cash and Investments	$ 38,643,125

Cash and investments consisted of the following at June 30, 2019:

Orange County Investment Pool:	
Equity in pooled Money Market fund	$ 38,633,125
Imprest Cash	10,000
Total Cash and Investments	$ 38,643,125

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

The Commission is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2019, 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. 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, 2019, 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 based on $1 and not fair value. Accordingly, the Commission's proportionate share of investments in the OCIP at June 30, 2019 of $38,633,125 is measured based on 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, 2019, were as follows:

Due from State Commission:	
Prop 10 revenue for:	
April 2019	$1,597,235
May 2019	1,889,706
June 2019	1,660,209
Surplus Money Investment Fund Allocations	64,514
First 5 IMPACT and Hubs Program	1,238,020
Due from other governmental agencies for:	
California Department of Healthcare Services	1,053,787
Misc. reimbursements	17,183
Total Due from Other Governments	$7,520,655

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, 2019, were as follows:

Due to government agencies:	
FY 2018-2019 Contract Payment Accruals	$ 4,210,732
Total Due to Other Governments	$ 4,210,732

NOTE 5 – COMPENSATED ABSENCES

The vested compensated absences liability balance at June 30, 2019 consists of the following activity:

Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
$53,122	$133,598	$118,283	$68,437	$63,780

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, 2019 consists of the following:

	June 30, 2019
Nonspendable:	
Prepaids and Advances	$3,889,033
Committed for:	
Catalytic Round 1 and 2 programs	14,472,082
Assigned for:	
Approved contracts	18,932,073
Total fund balance	$37,293,188

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for Fiscal Year 2018-2019. Refer to Note 8 for further details. Included in Nonspendable are Catalytic funding amounts advanced to grantees for project scopes not completed by June 30, 2019.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2019 for Fiscal Year 2019-2020 and future years of Commission Round 1 and 2 Catalytic funding.

Assigned for approved contracts – consists of Fiscal Year 2019-2020 programs that were approved by Commission action and included in the Fiscal Year 2019-2020 Operating Budget.

NOTE 7 – CONTINGENCIES

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN

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, two cities 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, and 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.

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

General Information about the Pension Plan

General members prior to January 1, 2013, including all members of Plan T and Plan W hired on or after January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired ten 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 and Plan W, are eligible to retire once they have attained the age of 52, 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.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 1/90th 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 1/60th 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 1/50th 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).

For members with membership dates before January 1, 2013, including all members of Plan T and Plan W hired on or after January 1, 2013, 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 and Plan W.

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.

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 average employer contribution rate for the first six months of calendar year 2018 or the second half of fiscal year 2017-2018 (based on the December 31, 2015 valuation) was 37.25% of compensation. The average employer contribution rate for the last six months of calendar year 2018 or the first half of fiscal year 2018-2019 (based on the December 31, 2016 valuation) was 36.56% of compensation. Contributions recognized by the plan in FY 2018-19 were $90,445.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The average member contribution rate for the first six months of calendar year 2018 or the second half of Fiscal Year 2017-2018 (based on the December 31, 2015 valuation) was 12.21% of compensation. The average member contribution rate for the last six months of calendar year 2018 or the first half of Fiscal Year 2018-2019 (based on the December 31, 2016 valuation) was 12.01% of compensation.

Early payment of 2019-20 contributions. In July 2018, the OCERS Board of Retirement authorized the offer of a 4.50% discount to plan sponsors for the early payment of their employer contributions for Fiscal Year 2019-2020. Subsequently, the Commission authorized the early payment of $11,056 in January 2019. Due to carryover balances from prior-years, $18,488 remained in the account and will be applied towards the Commission's employer required OCERS contributions for Fiscal Year 2019-2020. At the fund level, the $18,488 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.

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

At June 30, 2019, the Commission reported a liability of $630,611 for its proportionate share of the net pension liability. The Net Pension Liability (NPL) was measured as of December 31, 2018. 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 valuation as of December 31, 2017. At December 31, 2018, the Commission's proportion was 0.010% percent allocated based on the actual employer contributions within the Commission's rate group. This represents a decrease from 0.019%, from the proportionate measured as of December 31, 2017.

For the year ended June 30, 2019, the Commission recognized pension expense of ($285,793). As of June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$52,137	
Changes in proportion and differences between employer contributions and proportionate share of contributions		$1,081,690
Changes of assumptions	53,458	8,177
Difference between expected and actual experience		41,415
Commission contributions subsequent to the measurement date	18,488	
Total	$124,083	$1,131,282

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)

$18,488 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, 2020. Additional contributions will be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	$	(342,726)
2021		(304,205)
2022		(221,833)
2023		(99,138)
2024		(57,785)
	$	(1,025,687)

Actuarial assumptions. For the measurement period ended December 31, 2018 (the measurement date), total pension liability (TPL) was determined by rolling forward the December 31, 2017 (the valuation date) total pension liability. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2014 through December 31, 2016.

Net investment return:	7.00%
Inflation	2.75%
Salary Increases	General: 4.25% to 12.25% and Safety: 4.75% to 17.25%, varying by service, including inflation
Cost of Living Adjustments	2.75% of retirement income

Post – Retirement Mortality Rates:

Healthy:	For General Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2016 projection scale.
Disabled:	For General Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward five years, projected generationally with the two-dimensional MP-2016 projection scale.
Beneficiaries:	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016, weighted 60% male and 40% female.

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 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 and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2018 actuarial valuations. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.0%	6.38%
Core Bonds	13.0%	1.03%
High Yield Bonds	4.0%	3.52%
Bank Loan	2.0%	2.86%
TIPS	4.0%	0.96%
Emerging Market Debt	4.0%	3.78%
Real Estate	10.0%	4.33%
Core Infrastructure	2.0%	5.48%
Natural Resources	10.0%	7.86%
Risk Mitigation	5.0%	4.66%
Mezzanine/Distressed Debts	3.0%	6.53%
Private Equity	8.0%	9.48%
Total	100.00%	

Discount rate. The discount rate used to measure the TPL was 7.00% as of December 31, 2018. 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 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 TPL as of December 31, 2018.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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 7.00%, as well as what the Commission's NPL would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	$1,710,176	$630,611	($246,960)

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, 2021 (Fiscal Year 2021-2022) and is non-cancellable. The future minimum rental payments due under the lease are as follows.

Fiscal Year 2019-2020	$ 72,844
Fiscal Year 2020-2021	74,708
Fiscal Year 2021-2022	25,072
	$172,624

Rent expense was $71,148 for the year ended June 30, 2019.

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, 2019 was $22,531. The Commission incurred expenses totaling $375,325 for all other County services provided during the year ended June 30, 2019. The amount owed to the County of Orange for related party transactions at June 30, 2019 was $1,814.

The Commission paid $384,226 of service provider grants to organizations represented by a member of the Board of Commissioners, although both members abstain from all votes regarding funding to the organization represented. The Commission incurred a total of $1,593,936 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, 2019, the Commission expended $713,163 for program evaluation.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN

At June 30, 2019, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follows:

Deferred outflows of resources:	
OPEB contributions subsequent to the measurement date	$20,000
Net difference between projected and actual earnings on plan investments	$8,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,000
Net OPEB liabilities:	$290,000

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 Plan is a cost-sharing multiple 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 2018-2019 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.

Eligibility. An employee who is credited with at least ten years of service at the time the employee becomes a retiree shall be eligible to receive a grant in accordance with the County of Orange Retiree Medical Plan. An employee who becomes a retiree eligible for the grant and does not immediately begin to receive a retirement allowance from OCERS is not eligible to participate in the plan until the employee's retirement allowance commences. In order to be eligible to receive the grant, a participant must be covered under a Qualified Health Plan and/or Medicare. Coverage in a Qualified Health Plan must be elected within 30 days of the commencement of retirement allowance from OCERS. A covered retiree or surviving dependent who is age 65 or older must be enrolled in Medicare Part A (if eligible for coverage without a premium) and Part B in order to be eligible for the grant. A Qualified Health Plan is defined as a health insurance plan made available to employees and/or retirees, including a County Health Plan or a plan administered by an Employee Organization that the County of Orange has agreed shall be a Qualified Health Plan. A lump sum payment is available under limited circumstances as defined in the plan for an employee whose employment terminates prior to becoming eligible for a grant.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN (continued)

Benefits Provided. The monthly benefit paid to an eligible retiree is equal to $10 multiplied by the number of full years of credited service (with a maximum of 25 years). The monthly benefit shall not exceed the actual cost to the retiree for coverage under a qualified health plan and Medicare premiums. The benefit is reduced by 7.5% per year for each year the retiree is less than 60, based on the date the employee takes active retirement from OCERS. Conversely, the benefit is increased by 7.5% per year for each year the retiree is in excess of 60, and no adjustment is made for years of age after age 70. A 50% reduction adjustment applies to retirees and surviving dependents eligible for both Medicare Part A (without premium) and Part B. A surviving dependent of a retiree previously receiving a benefit is eligible to receive a monthly survivor benefit equal to 50% of the amount the retiree was eligible to receive. The monthly benefit is adjusted annually (not to exceed 3% per year) based on the average increase or decrease across all County retiree health plans.

Contribution. The Commission makes contributions to the plan equal to the actuarially determined contribution. The percentage contributions are established by a Participation Agreement with the County of Orange. All contributions are employer contributions and are made through the County of Orange payroll system. For the fiscal year ended June 30, 2019, the Commission's contributions were $39,000.

At June 30, 2019, the Commission reported a liability of $290,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Commission's proportion of the net OPEB liability was based on a projection of the Commission's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating member agencies, actuarially determined. At December 31, 2018, the Commission's proportion was 0.0698 percent, a decrease of .0009% from the prior measurement date.

For the fiscal year ended June 30, 2019, the Commission recognized OPEB expense of $30,000. As of fiscal year ended June 30, 2019, the Commission reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
OPEB contributions subsequent to the measurement date	$20,000
Net difference between projected and actual earnings on plan investments	8,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,000
Total	$32,000

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN (continued)

The $20,000 reported as deferred outflows of resources related to contributions subsequent to the December 31, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows Of Resources
2020	1,000
2021	1,000
2022	1,000
2023	5,000
2024	-
2025+	4,000

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 valuation date was determined using the following significant actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Funding Policy	Employer contributes full ADC
Discount rate	7.00%
Long-Term Expected Rate of Return on Investments	7.00%, net of investment expenses
General Inflation	2.75% per annum
Payroll Increases (1)	Aggregate Increases – 3.25%
Grant Increase Rate	AFSCME – lesser of 5% and Medical Trend
	Non-AFSCME – lesser of 3% and Medical Trend
Mortality, Disability, Termination, Retirement	OCERS 2014-2016 Experience Study
Mortality Improvement	Mortality projected fully generational with Society of Actuaries mortality improvement Scale MP-16
Medical Trend	Pre-Medicare – 7.5% for 2019, decreasing to 4.0% for 2076 and later
	Medicare – 6.25% for 2019, decreasing to 4.0% for 2076 and later
Cost Sharing (2)	The Grant increase rate limits specified in the plan document (3% or 5%, depending on bargaining group) are assumed to remain applicable in the future with no charges

(1) Merit Increases – OCERS 2014-2016 Experience Study
(2) Negotiated contributions for active safety employees are assumed to continue if no end date is specified in the current bargaining agreement

Discount Rate. The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN (continued)

The target asset allocation and long-term rates of return for each asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.0%	6.38%
Core Bonds	13.0%	1.03%
High Yield Bonds	4.0%	3.52%
Bank Loan	2.0%	2.86%
TIPS	4.0%	0.96%
Emerging Market Debt	4.0%	3.78%
Real Estate	10.0%	4.33%
Core Infrastructure	2.0%	5.48%
Natural Resources	10.0%	7.86%
Risk Mitigation	5.0%	4.66%
Risk Mezzanine/Distressed Debts	3.0%	6.53%
Private Equity	8.0%	9.48%
Total	100.00%	

-Assumed Long-Term Rate of Inflation – 2.75%
-Long-Term Expected Rate of Return Net of Investment Expense – 7.00%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.

The following presents the Commission's proportionate share of the net OPEB liability, as well as what the Commission's proportionate share of net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$350,000	$290,000	$239,000

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates.

The following presents the Commission's net OPEB liability, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using health care cost trend rate that are one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$281,000	$290,000	$298,000

NOTE 13 – FIRST 5 CALIFORNIA IMPACT PROGRAM AND REGIONAL HUB

First 5 California funded a statewide program to implement the California Quality Rating and Improvement System (QRIS). The QRIS is a systemic approach to asses, improve, and communicate the level of quality in early education programs. The Commission received First 5 IMPACT funds that were contracted to the Orange County Department of Education (OCDE) as the local organization with expertise for implementing early education quality programs. First 5 California funding for IMPACT is $5,109,491 for a five-year period that began July 1, 2015. Funds claimed for the period ending June 30, 2019 totaled $1,146,978, and all IMPACT funds require a two to one program partner match of two dollars of First 5 funding to every dollar of local funding. Another component of the IMPACT program is Incentive Layer Funds. These funds are intended to help support ambitious achievement and associated costs. Allocations are based on availability and predefined priorities. Two incentive payments were released to the Commission in the current year totaling $186,000.

First 5 California provided additional funding for regional coordination, training and technical assistance for the quality improvement of early education programs and systems. The Commission was selected as one of ten statewide hub region fiscal agents for the IMPACT Hubs program. OCDE was contracted to serve as the administrative lead for the regional hub with the purpose of developing and defining cost-effective, efficient, and impactful QRIS systems that address local needs and priorities. First 5 California funding for IMPACT Hubs is $2,855,562 for a four-year period that began July 1, 2016. Funds claimed for the period ending June 30, 2019 totaled $787,600.

NOTE 14 – ADVANCES TO OTHERS

Advances to others as of June 30, 2019 were $3,870,545. 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*

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Proportion of the net pension liability	0.078%	0.071%	0.061%	0.019%	0.010%
Proportionate share of the net pension liability	$3,957,426	$4,066,522	$3,158,290	$962,203	$630,611
Covered payroll	$1,043,030	$1,042,786	$925,031	$849,266	$966,061
Proportionate share of the net pension liability as a percentage of covered payroll	379.42%	389.97%	341.43%	113.30%	65.28%
Plan fiduciary net pension as a percentage of the total pension liability	67.15%	64.73%	71.16%	74.93%	70.03%
Measurement date	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018

* Fiscal Year 2014-2015 was the first year of implementation, therefore only five years are shown from the information available.

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

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Contractually required contribution (actuarially determined)	$319,651	$333,800	$245,077	$266,614	$90,445
Contributions in relation to the actuarially determined contributions	(319,651)	(333,800)	(245,077)	(266,614)	(90,445)
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	$1,005,475	$1,001,202	$821,497	$864,802	$1,050,566
Contributions as a percentage of covered payroll	31.79%	33.34%	29.83%	30.83%	8.61%

* Fiscal Year 2014-2015 was the first year of implementation, therefore only five years are shown from the information available.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF CHANGES IN COMMISSION NET OPEB LIABILITIES
LAST 10 YEARS*

	2018	2019
Commission's proportion of the net OPEB liability	$276,000	$290,000
Commission's proportionate share of the net OPEB liability	0.0689%	0.0698%
Commission's covered payroll	819,000	930,000
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll	33.70%	31.18%
Plan fiduciary net position as a percentage of the total OPEB liability	42.30%	42.56%
Measurement Date	December 31, 2017	December 31, 2018

* Fiscal Year 2017-2018 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 - OPEB
LAST 10 YEARS*

Fiscal Year Ended June 30	**2018**	**2019**
Actuarially Determined Contribution (ADC)	$34,000	$39,000
Contribution in relation to the ADC	(34,000)	(39,000)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	877,000	975,000
Contributions as a percentage of covered payroll	3.90%	4.00%

* Fiscal Year 2017-2018 was the first year of implementation, therefore only two years are shown from the information available.

SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SUPPLEMENTARY INFORMATION
SCHEDULE OF FIRST 5 CALIFORNIA FUNDING
YEAR ENDED JUNE 30, 2019

First 5 California Funding

Program Title		Beginning Program Balance (As of July 1)	Revenue* F5CA Funds	Expenditures	Ending Program Balance (As of June 30)
IMPACT	F5CA Program Funds	$3,357,091	$1,146,978	$1,146,978	$2,210,113
	County, Local Funds			$829,221	
IMPACT Hub	F5CA Program Funds	$1,757,546	$787,600	$787,600	$969,946

IMPACT	Incentive Layer Funds 16/17	$21,000
	Incentive Layer Funds 17/18	$165,000

* For the purpose of this schedule, the revenue and expenditures reported, in amount of $1,146,978 for IMPACT and $787,600 for IMPACT Hub represents the amount claimed by the Commission. For governmental fund or modified accrual financial reporting purposes, $1,238,020 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 Auditor's Report, but it is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional detailed information as a context for understanding what the financial statements, notes to financial statements, and required supplementary information say about the Commission's economic condition.

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
FINANCIAL TRENDS
NET POSITION BY COMPONENT
SCHEDULE 1

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2019	2018*	2017	2016
Net investment in capital assets	$ -	$ -	$ -	$ -
Unrestricted	40,684,097	37,446,530	44,034,865	51,621,511
Total net position	$ 40,684,097	$ 37,446,530	$ 44,034,865	$ 51,621,511

* First year of implementation for GASB No. 75
** First year of implementation for GASB No. 68

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FINANCIAL TRENDS
NET POSITION BY COMPONENT
SCHEDULE 1 (CONTINUED)

Schedule 1

Fiscal Year

2015**	2014	2013	2012	2011	2010
$ -	$ -	$ -	$ -	$ 235	$ 798
54,471,707	64,690,535	72,411,134	78,984,810	30,063,595	102,842,804
$ 54,471,707	$ 64,690,535	$ 72,411,134	$ 78,984,810	$ 30,063,830	$ 102,843,602

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FINANCIAL TRENDS
CHANGES NET POSITION
SCHEDULE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year 2019	2018	2017	2016
Expenses:				
Governmental activities:				
Salaries and benefits	972,068	1,149,377	1,215,649	1,727,197
Expenses related to "Zero to Five"	26,092,909	32,076,788	33,178,190	30,870,890
Services and supplies for State School				
Extraordinary Item: Accrual of AB99 liability				
Total expenses	27,064,977	33,226,165	34,393,839	32,598,087
Program revenues:				
Governmental activities:				
Program revenues				
Prop 10 Tobacco taxes	$ 23,573,280	$ 21,867,232	$ 24,790,836	$ 25,879,036
Operating grants and contributions				
Prop 10 State School Readiness				
First 5 CARES Plus				246,281
First 5 Child Signature Program				2,042,528
First 5 IMPACT and Hubs	2,120,578	2,745,724	976,964	
Other State operating grants and Federal operating grants	3,009,855	1,628,595	445,121	696,686
Investment income earned on tobacco taxes at the State Level (SMIF)	64,514	31,875	20,192	12,315
General revenues				
Investment income	1,188,495	431,764	343,403	441,810
Other revenue	345,822	191,640	230,677	429,235
Extraordinary Item: Reversal of AB99 liability				
Total revenues	$ 30,302,544	$ 26,896,830	$ 26,807,193	$ 29,747,891
Net (expense) revenue	$ 3,237,567	$ (6,329,335)	$ (7,586,646)	$ (2,850,196)

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FINANCIAL TRENDS
CHANGES NET POSITION
SCHEDULE 2 (CONTINUED)

Schedule 2

Fiscal Year

2015	2014	2013	2012	2011	2010
1,689,772	1,747,564	1,704,815	2,094,872	2,290,308	2,415,467
34,608,366	36,672,235	33,341,947	31,129,369	49,431,678	46,836,184
					6,844,534
				51,369,439	
36,298,138	38,419,799	35,046,762	33,224,241	103,091,425	56,096,185
$ 25,943,624	$ 26,395,725	$ 27,024,505	$ 28,988,350	$ 28,809,921	$ 29,706,126
					4,349,489
575,300	269,033	237,504	435,487		
3,350,818	2,719,243	90,171			
					145,834
260,297	902,242	668,105	592,725	641,124	752,152
8,082	7,071	9,588	11,612	15,331	82,000
206,029	349,366	122,358	481,976	818,294	1,141,118
151,086	56,520	320,180	265,632	26,983	40,509
			51,369,439		
$ 30,495,236	$ 30,699,200	$ 28,472,411	$ 82,145,221	$ 30,311,653	$ 36,217,228
$ (5,802,902)	$ (7,720,599)	$ (6,574,351)	$ 48,920,980	$ (72,779,772)	$ (19,878,957)

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FINANCIAL TRENDS
FUND BALANCES – GENERAL FUND
SCHEDULE 3

FUND BALANCES - GENERAL FUND

LAST TEN FISCAL YEARS

	Fiscal Year			
	2019*	**2018***	**2017***	**2016***
FUND BALANCES				
Nonspendable fund balance	$ 3,889,033	$ 4,542,478	$ 5,566,849	$ 7,277,958
Restricted fund balance				
Committed fund balance	14,472,082	18,596,717	21,769,602	26,486,583
Assigned fund balance	18,932,073	14,001,862	19,957,923	20,866,371
Unassigned fund balance				
Total fund balances	$ 37,293,188	$ 37,141,057	$ 47,294,374	$ 54,630,912
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.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FINANCIAL TRENDS
FUND BALANCES – GENERAL FUND
SCHEDULE 3 (CONTINUED)

Schedule 3

Fiscal Year

2015*	2014*	2013*	2012*	2011*	2010
$ 9,340,291	$ 10,782,162	$ 5,624,041	$ 65,657	$ 399,279	
30,112,816	34,561,184	44,990,092	45,090,000	35,123,581	
15,589,112	16,374,998	21,350,266	33,560,512		
				(5,547,385)	
$ 55,042,219	$ 61,718,344	$ 71,964,399	$ 78,716,169	$ 29,975,475	
					$ 43,044,502
					24,677,280
					2,500,050
					2,495,502
					30,006,543
					$ 102,723,877

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FINANCIAL TRENDS
CHANGES IN FUND BALANCES – GENERAL FUND
SCHEDULE 4

CHANGES IN FUND BALANCES - GENERAL FUND

LAST TEN FISCAL YEARS

	Fiscal Year			
	2019	2018	2017	2016
Revenues:				
Prop 10 Tobacco taxes	$ 20,023,365	$ 21,867,232	$ 24,790,836	$ 25,879,036
Prop 10 State School Readiness				
First 5 CARES Plus				320,200
First 5 Child Signature Program				4,451,854
First 5 IMPACT and Hubs	2,755,797	977,176	1,419,176	
Investment income earned on tobacco taxes at the State Level (SMIF)	-	31,875	20,192	12,315
Other State and Federal operating grants and contributions	674,988	1,628,595	445,121	696,686
Investment income	1,188,495	431,764	343,403	441,810
Other revenue	3,031,940	191,640	230,677	429,236
Total revenues	27,674,585	25,128,282	27,249,405	32,231,137
Expenditures:				
Current:				
Salaries and benefits	1,429,544	3,204,810	1,407,753	1,771,554
Expenditures related to "Zero to Five" Program	21,571,505	26,410,285	26,146,461	24,621,958
Catalytic Round 1 and 2 Program Funding	4,521,405	5,666,504	7,031,729	6,248,932
Services and supplies for State School Readiness program				
Capital outlay				
Total expenditures	27,522,454	35,281,599	34,585,943	32,642,444
Excess (deficiency) or revenues over (under) expenditures	152,131	(10,153,317)	(7,336,538)	(411,307)
Other Financing Sources (uses):				
Extraordinary Item: Accrual of AB99 liability				
Extraordinary Item: Reversal of AB99 liability				
Total changes in fund balance	$ 152,131	$ (10,153,317)	$ (7,336,538)	$ (411,307)

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
FINANCIAL TRENDS
CHANGES IN FUND BALANCES – GENERAL FUND
SCHEDULE 4 (CONTINUED)

Schedule 4

Fiscal Year					
2015	2014	2013	2012	2011	2010
$ 25,943,624	$ 26,395,725	$ 27,024,505	$ 28,988,350	$ 28,809,921	$ 29,706,126
					4,349,489
272,815	306,465	217,258	145,487		
2,666,529	117,853				
8,082	7,071	9,588	11,612	15,331	82,000
420,247	741,798	603,957	903,770	686,722	986,261
206,029	349,365	122,358	481,976	818,294	1,141,118
151,086	282,705	320,180	90,786	26,983	40,509
29,668,412	28,200,982	28,297,846	30,621,981	30,357,251	36,305,503
1,736,171	1,774,802	1,708,344	2,094,972	2,320,099	2,409,027
28,193,233	31,347,721	28,712,645	31,155,080	49,431,115	46,834,681
6,415,133	5,324,514	4,629,302			
					6,844,534
36,344,537	38,447,037	35,050,291	33,250,052	51,751,214	56,088,242
(6,676,125)	(10,246,055)	(6,752,445)	(2,628,071)	(21,393,963)	(19,782,739)
				(51,369,439)	
			51,369,439		
$ (6,676,125)	$ (10,246,055)	$ (6,752,445)	$ 48,741,368	$ (72,763,402)	$ (19,782,739)

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
REVENUE CAPACITY
TAX REVENUE CAPACITY
SCHEDULE 5

Actual Tobacco Tax Revenues Received (1)	Orange County	State Total
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
2016/2017	$24,790,836	$322,951,561
2017/2018	$21,867,232	$285,852,695
2018/2019	$23,573,280	$302,205,278

Projected Tobacco Tax Revenues (2)

2019/2020	$21,681,524	$287,114,000
2020/2021	$21,071,165	$280,059,000
2021/2022	$20,361,808	$273,180,000
2022/2023	$19,620,021	$266,472,000
2023/2024	$18,901,935	$259,933,000

(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 2018/19 to 2023/24 (Updated 5/20/19 utilizing DOF May Revise 2019 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1990-2040)

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
REVENUE CAPACITY
SURTAX REVENUE
SCHEDULE 6

STATE OF CALIFORNIA - CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE
FY 1959-60 TO 2016-17

	Cigarette tax				Other tobacco products surtax	
Fiscal year	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
2016-17	948,636,000 d/	8,133,000 d/	956,769,000 d/	1,185,000	95,330,000	65.08%
2015-16	741,937,000	6,360,000	748,297,000	1,262,000	101,427,000	28.13%
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% e/
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 f/	7,206,000	849,117,000	6,808,000	42,137,000 g/	61.53% g/
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 h/	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 i/	6,581,000	776,623,000	11,615,000	24,956,000 h/	37.47%
1988-89	499,712,000 i/	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		

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
REVENUE CAPACITY
SURTAX REVENUE
SCHEDULE 6 (CONTINUED)

STATE OF CALIFORNIA - CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE

FY 1959-60 TO 2016-17

	Cigarette tax				Other tobacco products surtax	
Fiscal year	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
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 j/	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 k/	1,675,000 l/	67,726,000	76,000		
1959-60	61,791,000 m/	767,000 m/	62,558,000	67,000		

Source: State Board of Equalization 2016-2017 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2016-17

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. on credit.

d. Effective April 1, 2017, the overall tax rate on cigarettes was increased from 87 cents to $2.87 per pack.

e. 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.

l. Effective July 1, 1960, a discount was allowed at the time tax indicia were purchased.

m. 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.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
REVENUE CAPACITY
DISTRIBUTIONS AND PER CAPITA CONSUMPTION
SCHEDULE 7

STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2016-17

	Reported distributions (Millions of packages)			Apparent per capita consumption (a.)
Fiscal year	Total	Tax paid	Tax exempt	(In packages)
1	2	3	4	5
2016-17	818	805	14	20.7
2015-16	875	860	15	22.3
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 2016-2017: Annual Report Table 30B - Cigarette Distributions and Per Capita Consumption,1959-60 to 2016-17

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.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
DEMOGRAPHIC DATA
SCHEDULE 8

ORANGE COUNTY DEMOGRAPHIC DATA

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009*
Total Population**	3,216,817	3,205,855	3,181,654	3,164,230	3,139,814	3,115,335	3,084,336	3,049,097	3,014,684	2,998,820
White***	1,346,680	1,350,861	1,349,576	1,351,001	1,349,873	1,348,572	1,345,017	1,339,111	1,333,733	
Hispanic***	1,136,010	1,127,665	1,114,185	1,102,471	1,088,001	1,072,876	1,054,770	1,035,388	1,015,813	
Asian & Pacific Islander***	596,202	591,255	584,210	579,149	572,520	566,685	559,781	552,581	545,711	
Black***	48,783	48,552	48,141	47,785	47,440	46,894	46,283	45,495	44,730	
Other/Multi-Race***	89,142	87,522	85,542	83,824	81,980	80,308	78,485	76,522	74,697	
Female****	1,622,237	1,616,575	1,603,965	1,595,195	1,582,964	1,571,466	1,556,547	1,539,794	1,523,564	1,512,752
Male****	1,594,580	1,589,280	1,577,689	1,569,035	1,556,850	1,543,869	1,527,789	1,509,303	1,491,120	1,486,068
Under 5 years**	190,334	191,571	191,122	192,359	191,193	190,931	191,851	192,634	192,059	194,723
5-9 years**	196,457	198,591	200,237	200,947	202,172	202,961	201,546	199,231	199,146	200,944
10-14 years**	208,518	208,198	206,781	207,600	208,425	209,056	208,901	210,289	210,784	209,260
15-19 years**	226,068	226,785	230,425	231,778	232,724	233,662	236,046	232,582	224,679	222,780
20-24 years**	239,687	243,688	242,760	238,118	233,048	226,928	218,614	213,044	212,987	209,857
25-34 years**	390,991	392,660	394,942	400,857	406,502	413,811	411,744	412,885	413,811	411,027
35-44 years**	411,721	410,719	410,678	415,103	421,145	427,870	432,868	436,764	438,995	447,102
45-54 years**	460,383	465,002	464,079	463,118	459,437	455,609	451,961	448,369	445,239	443,950
55-59 years**	220,209	218,388	214,811	176,341	204,057	198,505	191,528	184,249	176,341	172,474
60-64 years**	189,588	183,790	176,974	169,996	163,804	159,196	155,045	152,866	147,593	142,894
65-74 years**	274,932	266,342	255,829	246,351	235,080	223,353	211,330	198,257	189,404	183,812
75-84 years**	145,582	138,823	133,187	129,454	125,532	122,426	118,916	115,821	113,491	111,930
85+**	62,347	61,298	59,829	58,298	56,695	55,012	53,986	52,103	50,155	48,067

Sources:

* State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2060. Projections Prepared by Demographic Research Unit, California Department of Finance, January 2018

** State of California, Department of Finance, Report P-2: Total Estimated and Projected Population for California Counties: July 1, 2010 to July 1, 2060 in 1-year Increments. Projections Prepared by Demographic Research Unit, California Department of Finance, May 2019

*** Race and Ethnicity Data available in 5-year increments before 2010

**** State of California, Department of Finance, Report P-3: State and County Male and Female Population Projections by Race/Ethnicity and Detailed Age, 2010-2060, January 2018

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
LIVE BIRTHS
SCHEDULE 9

LIVE BIRTHS, CALIFORNIA COUNTIES, 2003-2016 (By Place of Residence)*

COUNTY	YEAR									
	2018*	2017*	2016	2015	2014	2013	2012	2011	2010	2009
CALIFORNIA	**482,467**	**485,901**	**488,490**	**491,789**	**502,973**	**494,392**	**503,788**	**502,023**	**509,979**	**526,774**
ALAMEDA	19,410	19,551	19,559	19,442	19,657	19,248	19,550	19,002	19,302	20,320
ALPINE	5	5	4	3	6	5	8	6	4	4
AMADOR	314	309	308	305	291	261	285	269	272	295
BUTTE	2,438	2,430	2,493	2,442	2,482	2,415	2,397	2,392	2,454	2,439
CALAVERAS	388	381	373	380	348	337	347	326	346	338
COLUSA	310	311	315	298	285	313	314	302	338	361
CONTRA COSTA	13,096	12,927	12,342	12,599	12,560	12,149	12,061	12,057	12,352	12,680
DEL NORTE	318	315	308	300	324	315	302	337	372	333
EL DORADO	1,603	1,590	1,599	1,596	1,618	1,533	1,513	1,629	1,618	1,719
FRESNO	15,086	15,116	15,098	15,363	15,796	15,735	15,953	16,157	16,281	16,273
GLENN	388	380	379	376	416	399	368	391	434	424
HUMBOLDT	1,454	1,521	1,487	1,445	1,474	1,531	1,511	1,448	1,551	1,542
IMPERIAL	3,099	3,108	2,976	3,217	3,270	3,068	3,041	3,075	3,072	3,145
INYO	200	199	182	203	226	230	219	213	192	239
KERN	13,828	13,732	13,721	13,769	14,199	14,145	14,558	14,287	14,416	14,827
KINGS	2,215	2,216	2,247	2,275	2,342	2,394	2,357	2,565	2,507	2,644
LAKE	737	726	752	724	748	758	739	715	721	726
LASSEN	297	296	302	294	326	294	298	300	322	325
LOS ANGELES	119,336	121,413	122,958	124,438	130,150	128,523	131,697	130,312	133,160	139,679
MADERA	2,219	2,257	2,347	2,225	2,313	2,314	2,258	2,401	2,434	2,390
MARIN	2,174	2,239	2,258	2,288	2,403	2,320	2,306	2,385	2,368	2,495
MARIPOSA	157	157	148	166	138	134	161	132	145	155
MENDOCINO	993	994	1,023	1,052	1,020	1,014	1,153	1,061	1,059	1,100
MERCED	4,101	4,073	4,109	4,105	4,158	4,161	4,311	4,281	4,248	4,407
MODOC	88	88	105	80	90	63	76	87	119	85
MONO	135	134	132	152	149	150	131	156	151	139
MONTEREY	6,282	6,304	6,213	6,426	6,458	6,547	6,652	6,814	6,764	7,068
NAPA	1,484	1,441	1,408	1,456	1,478	1,449	1,431	1,572	1,525	1,653
NEVADA	835	823	776	876	817	816	810	761	793	758
ORANGE	36,300	36,693	38,107	37,622	38,610	37,256	38,186	38,100	38,237	40,431
PLACER	3,881	3,820	3,734	3,748	3,644	3,684	3,648	3,832	3,824	3,804
PLUMAS	176	172	172	163	147	152	151	165	170	154
RIVERSIDE	30,608	30,596	30,629	30,510	30,271	29,930	30,316	30,610	30,659	31,601
SACRAMENTO	19,479	19,540	19,598	19,430	19,886	19,367	19,618	19,998	20,055	20,426
SAN BENITO	758	755	780	720	697	752	701	772	735	752
SAN BERNARDINO	30,084	30,217	31,120	30,619	31,306	30,201	30,691	30,573	31,367	31,984
SAN DIEGO	41,935	42,574	42,578	43,961	44,596	43,627	44,391	43,621	44,838	44,960
SAN FRANCISCO	9,131	9,077	9,065	8,972	9,102	8,807	9,070	8,813	8,800	8,807
SAN JOAQUIN	10,534	10,411	10,234	9,986	10,095	9,799	10,129	10,328	10,593	10,872
SAN LUIS OBISPO	2,655	2,749	2,574	2,668	2,595	2,650	2,580	2,632	2,736	2,614
SAN MATEO	8,836	8,975	8,961	9,040	9,098	8,821	9,182	9,047	9,193	9,452
SANTA BARBARA	5,462	5,396	5,493	5,673	5,829	5,753	5,584	5,803	5,819	6,039
SANTA CLARA	22,712	22,958	23,011	23,393	23,759	23,296	24,308	23,652	23,936	25,200
SANTA CRUZ	2,708	2,688	2,804	2,841	3,047	2,867	3,084	3,232	3,190	3,301
SHASTA	1,974	1,996	2,056	2,074	2,083	2,140	2,110	2,021	2,136	2,069
SIERRA	27	28	34	31	21	14	19	23	23	21
SISKIYOU	461	458	458	466	451	443	501	472	434	477
SOLANO	5,282	5,192	5,253	5,132	5,251	5,255	5,061	5,158	5,047	5,392
SONOMA	5,080	5,101	4,964	5,016	5,075	4,982	5,144	5,150	5,391	5,683
STANISLAUS	7,890	7,790	7,867	7,700	7,521	7,579	7,592	7,737	7,804	7,941
SUTTER	1,398	1,396	1,363	1,302	1,317	1,285	1,258	1,326	1,360	1,433
TEHAMA	858	840	787	828	787	753	767	728	767	814
TRINITY	105	104	115	102	112	100	125	123	107	116
TULARE	7,332	7,380	7,149	7,412	7,618	7,651	8,000	7,966	8,155	8,362
TUOLUMNE	448	441	456	466	454	475	459	430	487	425
VENTURA	9,814	9,975	9,580	10,062	10,471	10,441	10,641	10,656	11,147	11,353
YOLO	2,381	2,372	2,423	2,402	2,395	2,491	2,452	2,340	2,426	2,483
YUBA	1,168	1,171	1,238	1,155	1,193	1,200	1,213	1,282	1,223	1,245

Source: California Department of Finance. Demographic Research Unit. 2018. Historical and Projected Fertility Rates and Births, 1990-2040. Sacramento: California Department of Finance. January 2018.
*2017 and 2018 Projected

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
CHILDREN'S SCORECARD
SCHEDULE 10

	2017	2016
GOOD HEALTH		
Total percentage of women who received early prenatal care*	***	87.60%
Newborns with low birth weight (less than 2,500 grams)*	***	2397
Percent of Infants with low birth weight*	***	6.3%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth* (FY)	190	178
Children adequately immunized at age 2*	77.9%	78.5%
Infant Mortality Rate (per 1,000 live births)*	***	1.5
Birth rates per 1,000 females ages 15-19 in Orange County*	***	10.9
Breastfeeding Percentages (any)*	94.8%	95.0%
Breastfeeding Percentages (exclusive)*	65.8%	66.1%
ECONOMIC WELL-BEING		
Children receiving financial assistance though CalWORKS* (FY)	34,485	38,982
Percent of children receiving CalWORKS of total population under 18* (FY)	4.7%	5.5%
Number of students eligible for free and reduced lunch* (FY)	208,649	237,969
Percentage of students eligible for free and reduced lunch* (FY)	47.7%	49.1%
Number of participants served by the WIC program* (FY)	61,406	71,367
Total number of child support cases* (FY)	70,403	68,117
Total child support collections $ (in millions)* (FY)	184.0	182.3
EDUCATIONAL ACHIEVEMENT		
Total public school enrollment* (FY)	489,791	492,886
Number of English leaner students* (FY)	119,315	123,001
Average $ expenditure per pupil for grades K-12* (FY)	10,926	9,105
Total number of students K-12 receiving special education* (FY)	55,908	54,231
SAFE HOMES AND COMMUNITIES		
Average monthly number of children in out-of-home care* (FY)	2,134	2,107
Average monthly number of dependents of the court* (FY)	2,762	2,627
Total juvenile arrests for youth 10 to 17 years of age*	***	4,521
Total number of juveniles referred to probation, 10 to 18 years*	***	5,617

* The 24th Annual Report on the Condition of Children in Orange County 2018 presents dates through calendar year 2017. Data through FY 2018-19 not yet available.

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

*** Not yet available

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
CHILDREN'S SCORECARD
SCHEDULE 10

2015	2014	2013	2012	2011	2010	2009	2008
85.20%	86.10%	88.30%	88.6%	88.7%	89.0%	88.2%	87.8%
2360	2433	2,330	2,401	2,550	2,462	2,670	2,705
6.3%	6.3%	6.3%	6.3%	6.7%	6.4%	6.6%	6.4%
121	110	98	82	128	89	81	107
75.5%	78.9%	73.6%	75.7%	78.1%	74.8%	76.6%	81.1%
2.7	3.0	3.3	3.4	4.2	4.0	4.1	4.8
12.0	14.8	16.7	19.2	20.2	22.5	25.3	27.7
95.1%	94.8%	94.0%	93.2%	93.2%	92.7%	88.0% **	
67.1%	64.6%	62.7%	62.1%	59.8%	55.6%	39.2% **	
42,345	42,877	43,916	45,950	46,809	42,793	35,962	31,932
6.0%	6.0%	6.1%	6.2%	5.9%	5.4%	4.5%	4.0%
250,408	243,432	238,891	226,854	228,121	227,820	211,179	197,671
49.0%	50.0%	47.9%	46.4%	45.4%	44.4%	42.3%	40.0%
78,856	87,408	92,303	98,219	103,563	100,434	104,622	117,188
67,732	68,635	70,608	77,582	89,852	100,056	103,598	94,860
178.8	177.9	178.6	180.1	177.4	177.2	180.3	179.6
497,116	500,487	501,801	502,195	502,895	502,239	504,136	503,255
129,390	130,570	123,390	130,076	126,226	141,605	140,887	142,833
9,128	8,274	7,950	7,952	7,827	7,955	8,267	8,224
53,512	53,005	52,216	51,905	51,613	51,208	51,394	51,486
2,192	2,279	2,257	2,215	2,018	2,195	2,466	2,668
2,799	2,683	2,862	2,791	2,795	3,050	2,453	3,687
4,829	6,580	6,892	8,566	10,797	13,485	14,341	14,914
5,808	7,156	7,821	8,882	10,454	11,533	11,531	12,456

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
OPERATING INFOMATION
CAPTIAL ASSETS STATISTICS
SCHEDULE 11

CAPITAL ASSETS STATISTICS

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
OPERATING INFOMATION
PRINCIPLE EMPLOYERS
SCHEDULE 13

PRINCIPAL EMPLOYERS

LAST YEAR AND NINE YEARS AGO

2019*

Employer	Number of Employees	Rank	Percentage of Total County Employment
The Walt Disney Co.	30,000	1	1.86%
University of California, Irvine	23,884	2	1.48%
County of Orange	17,271	3	1.07%
St. Joseph Health	14,000	4	0.87%
Kaiser Permanente	8,178	5	0.51%
Albertsons Southern California Division	7,670	6	0.48%
Target Corporation	6,300	7	0.39%
Wal-Mart Stores Inc.	6,200	8	0.39%
Hoag Memorial Hospital Presbyterian	6,100	9	0.38%
Boeing Co.	6,000	10	0.37%

2010**

Employer	Number of Employees	Rank	Percentage of Total County Employment
University of California, Irvine	20,650	1	1.31%
The Walt Disney Co.	20,000	2	1.27%
County of Orange	17,324	3	1.10%
St. Joseph Health System	11,965	4	0.76%
Boeing Co.	8,060	5	0.51%
Bank of America Corp.	6,500	6	0.41%
Yum Brands Inc.	6,500	7	0.41%
Supervalu Inc.	5,900	8	0.37%
Kaiser Permanente	5,397	9	0.34%
Target Corporation	5,325	10	0.34%

* Source: Orange County Business Journal, Book of Lists

** Source: Orange County Business Journal, Book of Lists as reproduced in the 2011 County of Orange CAFR

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
OPERATING INFOMATION
EMPLOYEES BY FUNCTION
SCHEDULE 13

EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of Employees by Function										
General Administration	3	3	3	3	3	3	4	6	7	7
Finance	2	2	2	2	2	2	1	2	2	2
Contracts Administration	2	2	3	3	4	4	4	4	5	5
Program Management & Evaluation	5	5	4	4	4	4	4	3	3	4
Total Employees	12	12	12	12	13	13	13	15	17	18

* Table presents Regular and Limited-Term Employees

Independent Auditor's 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, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 30, 2019.

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*.

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Purpose of this Report

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

Eide Bailly LLP

Laguna Hills, California
October 30, 2019

Independent Auditor's 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, 2019.

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

Auditor's 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

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

Opinion
In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2019.

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 State Controller's Office. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Laguna Hills, California
October 30, 2019