

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

Prepared by:

Michael Garcell, CPA (inactive)

Director of Finance

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2021**

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November 23, 2021

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

Dear Commissioners,

The Annual Comprehensive Financial Report (ACFR) 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 ACFR 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, 2021, 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, 2021. 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 \$858 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 April 2021, 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 and 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.

Beginning in July 2019, three Commissioner-led panels met multiple times to review program information, receive stakeholder input and make recommendations for program funding for Fiscal Year 2020-2021 to Fiscal Year 2022-2023. The funding review panels were divided into three categories: Homeless Prevention, Quality Early Learning, and Prenatal-to-Three, and included Commissioners and their appointees. Each panel met multiple times between July 2019 and January 2020, reviewing background information, relevant data, and program evaluation findings. During this time, staff also met with all stakeholders that would be impacted by the proposed funding recommendations.

For the three-year funding cycle from Fiscal Year 2020-2021 to Fiscal Year 2022-2023, First 5 Orange County proposes to invest in each of the three funding categories. Recommended funding totals approximately \$35,000,000 over the three-year period, allocated as follows:

- \$3,750,000 for Homeless Prevention;
- \$17,000,000 for Quality Early Learning; and
- \$14,275,000 for Prenatal-to-Three.

This overall funding, which includes some set asides for future anticipated programming and catalytic funding, can be accommodated within the projected program expenditures of the 10-year Financial Plan. It also creates approximately \$3 million in annual budget reductions that may be used to offset volatile tobacco tax revenue and for potential system building work in alignment with the Strategic Plan.

Strategic Plan

In April 2021, First 5 OC updated its Strategic Plan envisioning an Orange County in which “All children reach their full potential.” The groundwork for this vision to be achieved is set during a child’s earliest years. First 5 OC partners with many organizations working towards creating and maintaining an early childhood system that families experience as a seamless network of care. The conditions needed for children to thrive are:

- Early and Ongoing Health and Development;
- Equitable Distribution of Resources;
- A Safe, Stable, and Nurturing Home; and
- Neighborhoods that Support Young Children and Families.

First 5 OC uses four guiding strategies to provide a lens through which to prioritize our work. We believe these four strategies have the most impact on improving the conditions needed for children and families to thrive:

- Get Involved Early;
- Elevate Equity;
- Empower Champions; and
- Align Systems of Care.

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 2020-2021 was adopted on June 3, 2020 with subsequent adjustments approved on December 2, 2020. The President/CEO 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. 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 Annual Comprehensive Financial Report. 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 Annual Comprehensive Financial Report 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
President/CEO

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
BOARD OF COMMISSIONERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

COMMISSION BOARD MEMBERS (9)

Ramin Baschshi, M.D. (A)
Chair

Debra Baetz (M)
Social Services Agency

Doug Chaffee (M)
Board of Supervisors

Clayton Chau, M.D., Ph.D. (M)
Health Care Agency

Katherine Chiu, M.D., MBA (A)

Leah Ersoylu (A)

Jackie Filbeck (A)

Yvette Lavery (A)

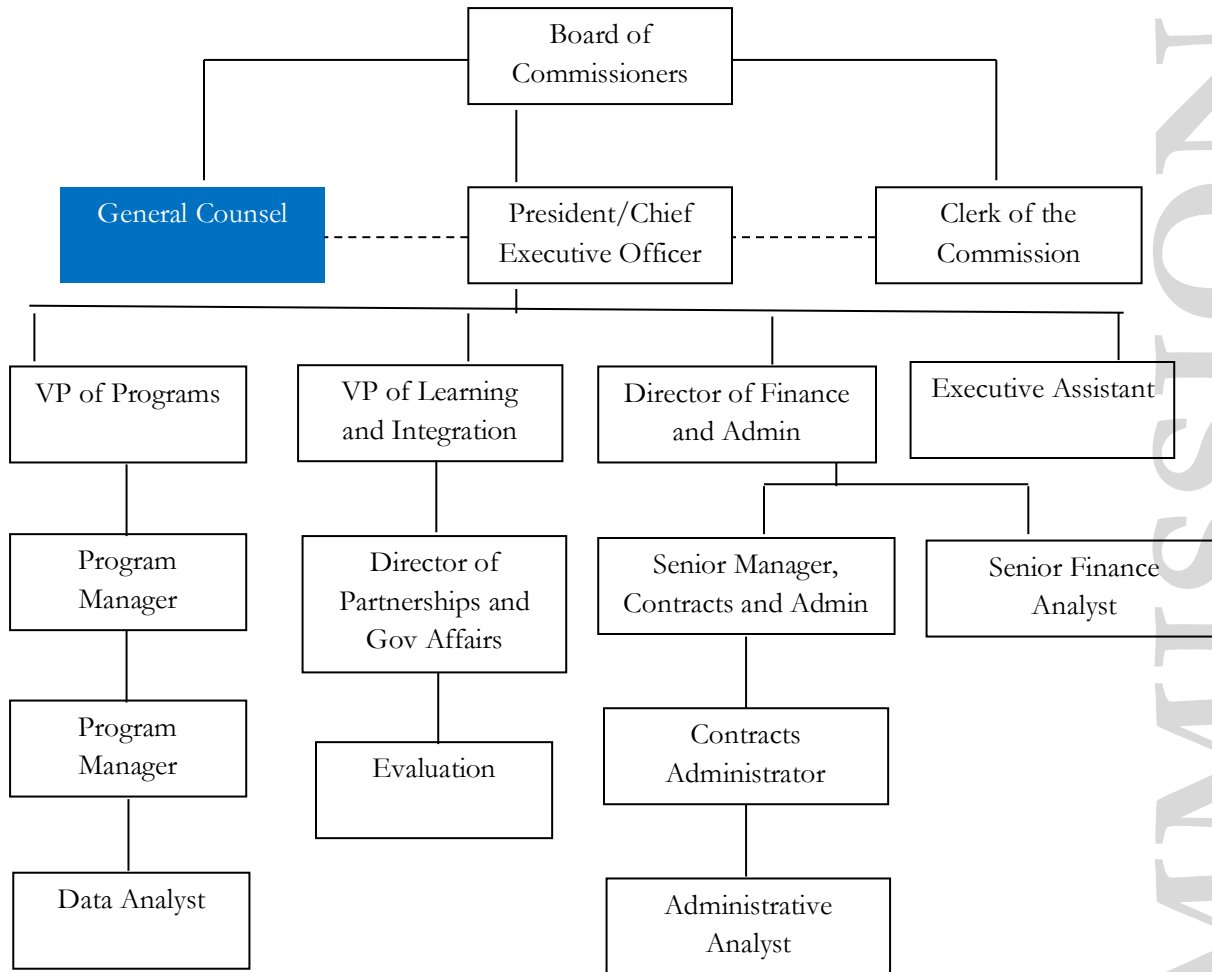
Susan McClintic (A)

(M) Mandatory members

(A) At-large members

COMMISSION

**CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
ORGANIZATION CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



COMMISSION



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, 2020

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

To the Board of Commissioners
Children and Families Commission of Orange County
Santa Ana, California

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, 2021, 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, 2021, and the respective changes in financial position 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.

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's contributions, as listed in the table of content, 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 or 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 financial statements. The introductory section, schedule of First 5 California funding, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of First 5 California funding is the responsibility of management and was derived from and related 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 November 23, 2021, 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.



Laguna Hills, California
November 23, 2021

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

As management of the Children and Families Commission of Orange County (Commission), we offer readers of the Commission's Annual Comprehensive Financial Report this overview and analysis of the financial activities for the fiscal year ended June 30, 2021. 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 \$57.2 million at the end of the current fiscal year, an increase of \$10 million (21.4%) from the prior fiscal year. The increase in Net Position is primarily due to the receipts of program reimbursement revenues, a one-time increase in tobacco tax revenue from backfill payments, and planned decreases in overall program spending.
- As of June 30, 2021, the Commission's governmental fund statements reported an ending fund balance totaling \$57 million, an increase of \$13.7 million (31.6%).
- The total ending fund balance of \$57 million was classified into the following categories: \$2.4 million as non-spendable, \$15.2 million as committed, \$37.2 million as assigned, and \$2.2 million as unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual comprehensive financial report consists of three parts: the introduction section, the basic financial statements including government-wide financial statements, governmental fund financial statements and notes to the basic financial statements, and the statistical section. 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 Commission activities are accounted for in the general fund.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

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 \$57.2 million at the end of the current fiscal year, an 21.4% increase from the prior fiscal year's net position. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2021 and June 30, 2020.

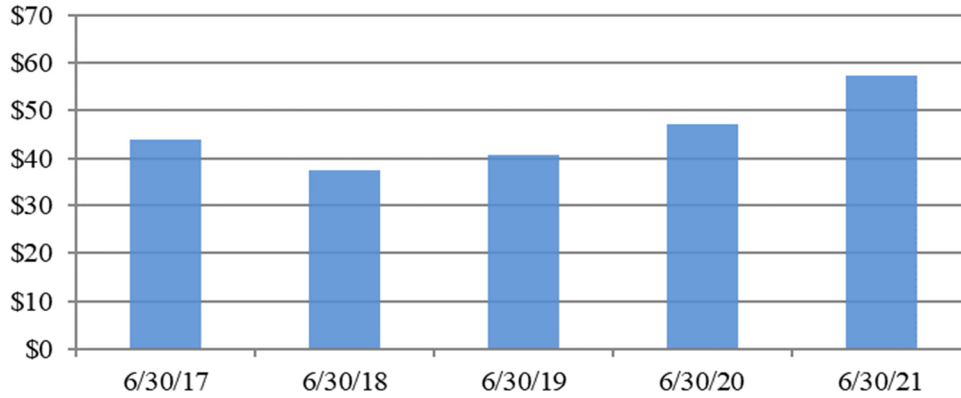
The Commission's net position as of June 30, 2021 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

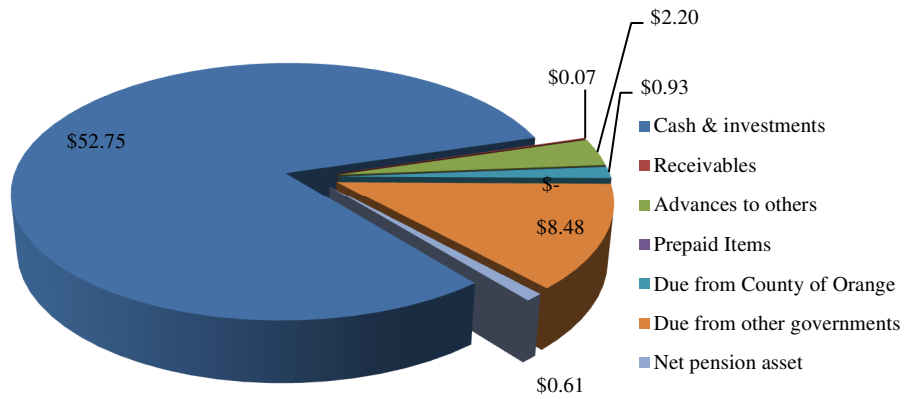
	FY 2020-21	FY 2019-20	Percent Increase (Decrease)
Assets:			
Cash and investments	\$ 52,741,932	\$ 45,738,453	15.3%
Imprest cash	10,000	10,000	-
Interest receivable	74,139	153,484	-51.7%
Due from County of Orange	929,205	765,366	21.4%
Due from other governments	8,483,440	9,042,050	-6.2%
Advances to others	2,201,635	3,923,410	-43.9%
Prepaid items	-	30,702	-100%
Net Pension Asset	612,417	646,473	-5.7%
Total assets	<u>65,052,768</u>	<u>60,309,938</u>	7.9%
Deferred Outflows of Resources:			
Pension related amounts	379,497	17,957	2,013.4%
OPEB related amounts	67,000	24,000	179.2%
Total deferred outflows of resources	<u>446,497</u>	<u>41,957</u>	964.2%
Liabilities:			
Accounts payable and accrued liabilities	2,240,171	4,531,036	-50.6%
Due to County of Orange	36,768	3,416	976.4%
Due to other governments	3,298,607	5,303,051	-37.8%
Retentions payable	1,093,292	1,362,937	-19.8%
Accrued wages and benefits	60,181	46,060	30.7%
Compensated absences:			
Payable within one year	76,769	64,538	19%
Payable after one year	22,435	21,080	6.4%
Net OPEB Liability	271,000	245,000	10.6%
Total liabilities	<u>7,099,223</u>	<u>11,577,118</u>	-38.7%
Deferred Inflows of Resources:			
Pension related amounts	1,140,631	1,619,924	-29.6%
OPEB related amounts	35,000	26,000	34.6%
Total deferred inflows of resources	<u>1,175,631</u>	<u>1,645,924</u>	-28.6%
Net Position:			
Unrestricted	57,224,411	47,128,853	21.4%
Total net position	<u>\$57,224,411</u>	<u>\$47,128,853</u>	21.4%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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



**Assets
As of June 30, 2021**



CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

Assets, Current and Other

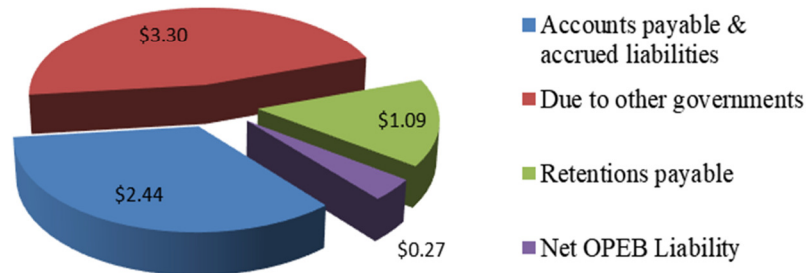
- Cash and investments totaled \$52.7 million. All \$52.7 million was invested in the Orange County Investment Pool (OCIP), except for a small petty cash fund held at the Commission. The investments in OCIP are managed by the County Treasurer and reviewed for compliance with the Commission's Annual Investment Policy. Cash and investments increased by 15.3% due to receipts of payments for program reimbursements.
- Due from other governments totaled \$8.5 million. Of this amount, \$1.6 million is Prop 10 tobacco tax revenue due from the State of California for the June 2021 allocation and \$4.6 million for the final payment from the Department Health Care Services for the Dental Transformation Initiative.
- Advances to others totaled \$2.2 million and represents funds advanced to contractors for services not provided by June 30, 2021. Approximately \$2.1 million was remaining as an advance for Emergency Shelter Catalytic programs. The advances cover future periods up to Fiscal Year 2021/2022.
- Net pension asset of \$0.61 million is reported compared to a net pension asset of \$0.65 million in the prior year.
- Other current assets consist of \$0.07 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.
- Deferred outflows of resources include \$379,497 represent pension related amounts for measurement period ending December 31, 2020. Also included are total deferred outflows related to OPEB of \$67,000 as of measurement period ending December 31, 2020.
- Note 8 and 12 to the Commission financial statements provides further detail of all deferred outflows of resources reported in Fiscal Year 2020-2021.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

**Liabilities
As of June 30, 2021**



Liabilities

- Accounts payable and due to other governments total \$5.5 million. Payables to grantees services not yet billed at June 30, 2021 are based on established contract terms. This balance represents a decrease of 44% from the prior year due to both timing of invoices for program partners and the increased program activity for First IMPACT and Hubs, California Department of Health Care Services Dental Transformation Initiative, and Home Visiting Program.
- Retentions payable total \$1.1 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.
- Other current liabilities total \$0.1 million consisting of amounts due to the County of Orange and accrued wages, benefits and compensated absences.

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.
- Total deferred inflows of resources of \$1.1 million is the result of the 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, 2020.
- Note 8 and 12 to the Commission financial statements provides further detail of all deferred inflows of resources recognized in Fiscal Year 2020-2021.

Changes in Net Position

For the year ended June 30, 2021, current year operations increased the Commission's net position by \$10.1 million. The increase is due to both the timing of revenues from outside program funding, increased tobacco tax revenue, 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, 2021 and June 30, 2020.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

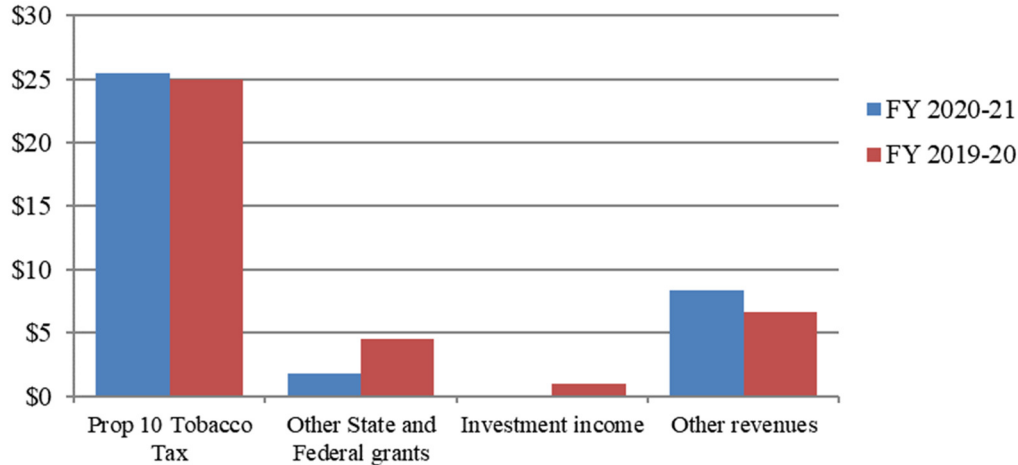
	FY 2020-21	FY 2019-20	Percent Increase (Decrease)
Revenues:			
Program Revenues			
Tobacco taxes	\$25,496,594	\$24,991,179	2.02%
Other State and Federal operating grants and contributions	1,786,203	4,427,158	-59.65%
Interest income earned on tobacco taxes at the State	15,412	86,655	-82.21%
Total program revenues	<u>27,298,209</u>	<u>29,504,991</u>	-7.48%
General Revenues			
Investment income	131,764	1,021,339	-87.10%
Other revenues	8,352,758	6,599,710	26.56%
Total general revenues	<u>8,484,522</u>	<u>7,621,049</u>	11.33%
Total revenues	<u>35,782,731</u>	<u>37,126,041</u>	-3.62%
Expenses:			
0-5 Child development programs	24,581,349	29,826,480	-17.59%
Salaries and benefits	<u>1,105,824</u>	<u>854,804</u>	29.37%
Total expenses	<u>25,687,173</u>	<u>30,681,284</u>	-16.27%
Change in net position:			
Net position – July 1	<u>47,128,853</u>	<u>40,684,097</u>	15.84%
Net position – June 30	<u>\$57,224,411</u>	<u>\$47,128,853</u>	21.42%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Total revenues

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

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



- *Program revenues*
The Commission’s program revenues totaled \$27.3 million in Fiscal Year 2020-2021 and accounted for 76% of total revenues. This represented a decrease of \$2.2 million (7.5%) from Fiscal Year 2019-2020 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 \$.5 million from the prior fiscal year.
 - The increase in revenue is due to increased sales of other tobacco products.
 - Other State and Federal operating grants and contributions for Fiscal Year 2020/2021 includes revenue from the state-wide IMPACT, Hub, Home Visiting, and Dual Language Learner program reimbursement that are variable from year to year and based on actual expenses.
- *General revenues*
The Commission’s general revenues totaled \$8.5 million in Fiscal Year 2020-2021 and accounted for 24% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenue reimbursements including the Dental Transformation Initiative and Home Visiting Program.
 - Investment income decreased by \$0.9 million from the prior fiscal year. The decrease in investment income from the Orange County Investment Pool (OCIP), which is administered by the County Treasurer, is due to lower investment returns on cash balances maintained by the Commission.
 - Other revenue increased due to additional reimbursements for the Dental Transformation Initiative and Home Visiting Programs by \$1.8 million or 26.56%.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Governmental Activities Expenses

Total expenses decreased by \$5 million (-16.3%) from the prior fiscal year. The decrease is due to the planned reductions in spending for one-time/systems building programs which are cyclical in nature.

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



- Zero-to-five child development programs decreased by \$5 million (-17.6%) from the prior fiscal year to fund programs serving children and families within the Commission’s strategic goal areas of Prenatal-to-Three, School Readiness Initiative, and Systems Building. The decrease is due to the previously mentioned lower level of one-time/catalytic program funding. The long-term financial plan reserves funding to be used in future years to provide year-to-year sustainability while anticipating decreased revenue.
- Salaries and benefits increased by \$0.25 million (29.4%) from the prior fiscal year due to the filling of vacant positions.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

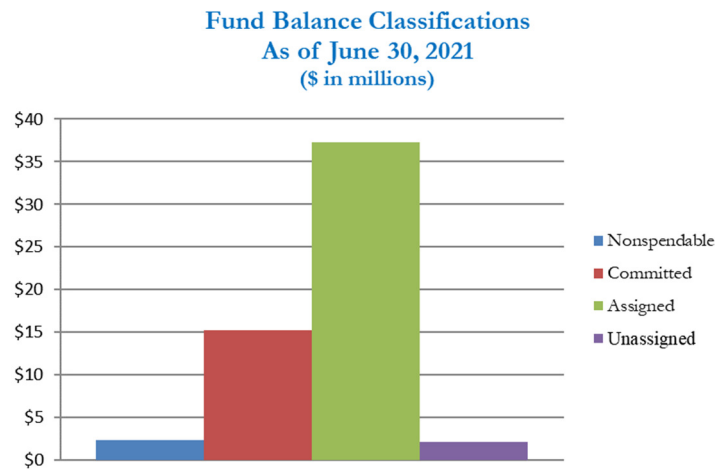
ANALYSIS OF THE COMMISSION’S GOVERNMENTAL FUND STATEMENTS

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. Program revenues of approximately \$.9 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 \$57 million, an increase of \$13.7 million (31.7%) in comparison with the prior fiscal year.



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 \$.8 million. The amendment was based on budget carryovers for the First 5 IMPACT and Hubs programs.
- Total budgeted appropriations were increased by \$.6 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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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 2020-2021 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were above budgeted revenues in Fiscal Year 2020-2021 by over \$7.6 million due to tobacco tax revenue above projections and increased revenue from the Dental Transformation Revenue close-out.
- Total budgeted appropriations exceeded actual expenditures in Fiscal Year 2020-2021 by \$7.6 million due to program funds spent under the Bridges and Home Visitation Program and the timing of distributions of one-time Catalytic funds.
 - 0-5 child development program expenditures were less than budgeted appropriations by \$4.5 million. This was due mostly to the timing of expenditures for the Home Visitation Program and the IMPACT, HUBS, and DLL programs. 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.
 - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.2 million due to filling two vacant staff positions later in the fiscal year and underspending projections for benefits.
 - Catalytic expenditures were less than budgeted appropriations by \$2.9 million. Fiscal Year 2020-2021 was the eighth year of Round 1 and 2 catalytic funding. The total funding amount of approximately \$62 million was approved by the Commission as detailed below. Expenditures are recognized as services are provided and deliverables met for each separate Catalytic program. At budget adoption, the timing of Fiscal Year 2020-2021 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	5,582,500
VISTA / AmeriCorps transition feasibility	25,000
	\$44,607,500

Round 2:

Capacity Building	\$3,250,000
Partnership for Children’s Health	6,023,474
Prevention Services	500,000
Nutrition and Fitness	365,000
Pediatric Vision Services	1,500,000
Catalytic Unallocated and Matching Funds	5,754,026
	\$17,392,500

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021**

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

On August 28, 2020, Governor Newsom signed SB 793 (Hill) which banned the sale of flavored tobacco products. In January 2021, a referendum placed SB 793 on hold and qualified it for the November 2022 ballot. As a result, projections for future-year tobacco tax revenues could change. The flavor ban would not start impacting revenue projections until Fiscal Year 2022-2023.

The Commission's financial plan has historically been conservative when estimating future-year revenues and maintains a fund balance in anticipation of future-year declining revenues. The assumptions used to project annual expenses/program funding throughout the ten-year financial plan would be adjusted to align with result of the referendum after the November 2022 general election.

REQUESTS FOR FINANCIAL INFORMATION

This annual comprehensive 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, 2021. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President/CEO, 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, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments in County Treasury	\$ 52,741,932
Imprest cash	10,000
Interest receivable	74,139
Due from County of Orange	929,205
Due from other governments	8,483,440
Advances to others	2,201,635
Net pension asset	612,417
Total Assets	65,052,768
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	379,497
Other postemployment benefits	67,000
Total Deferred Outflows of Resources	446,497
LIABILITIES	
Accounts payable	2,240,171
Due to County of Orange	36,768
Due to other governments	3,298,607
Retentions payable	1,093,292
Accrued wages and benefits	60,181
Non-Currnet liabilities:	
Compensated absences:	
Payable within one year	76,769
Payable after one year	22,435
Net OPEB liability	271,000
Total Liabilities	7,099,223
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	1,140,631
Other postemployment benefits	35,000
Total Deferred Inflows of Resources	1,175,631
NET POSITION	
Unrestricted	57,224,411
TOTAL NET POSITION	\$ 57,224,411

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Child development	\$ 25,687,173	\$ 27,298,209	\$ 1,611,036
General Revenues:			
Investment income			131,764
Miscellaneous			8,352,758
Total General Revenues			8,484,522
Change in Net Position			10,095,558
Net Position, July 1			47,128,853
Net Position, June 30			\$ 57,224,411

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2021

	General Fund
ASSETS	
Cash and investments in County Treasury	\$ 52,741,932
Imprest cash	10,000
Interest receivable	74,139
Due from County of Orange	929,205
Due from other governments	8,483,440
Prepaid Expenses	184,087
Advances to others	2,201,635
Total Assets	\$ 64,624,438
LIABILITIES	
Accounts payable	\$ 2,240,171
Due to County of Orange	36,768
Due to other governments	3,298,607
Retentions payable	1,093,292
Accrued wages and benefits	60,181
Total Liabilities	6,729,019
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - unavailable revenue	857,187
Total Deferred Inflows of Resources	857,187
FUND BALANCES	
Nonspendable fund balance	2,385,722
Committed fund balance	15,241,303
Assigned fund balance	37,229,072
Unassigned fund balance	2,182,135
Total Fund Balances	57,038,232
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 64,624,438

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, 2021**

Fund balances of governmental funds	\$	57,038,232
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Prepaid items included as a deferred outflow on the accrual basis used in the government-wide statements		(184,087)
Long term assets (net pension asset) are not included in the governmental funds		612,417
Deferred outflows of resources:		
Pension related amounts		379,497
Other postemployment benefits		67,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds until paid. The following amounts represent the net effect of these differences in the treatment of long-term liabilities:</p>		
Change in Compensated Employee Absences		(99,204)
Other postemployment benefits related amounts		(271,000)
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.		857,187
Deferred inflows of resources:		
Pension related amounts		(1,140,631)
Other postemployment benefits		(35,000)
Net Position of governmental activities	<u>\$</u>	<u>57,224,411</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
REVENUES	
Prop 10 Tobacco Tax	\$ 25,496,594
Investment income earned on tobacco taxes at the State level	15,412
Other State operating grants and contributions	4,713,034
Federal operating grants	379,171
Investment income	131,764
Other revenue	9,285,073
Total Revenues	40,021,048
EXPENDITURES	
Current:	
Salaries and benefits	1,724,112
Expenditures related to the "Zero to Five" Programs	22,943,993
Catalytic Round 1 and 2 Program Funding	1,640,380
Total Expenditures	26,308,485
Change in Fund Balance	13,712,563
FUND BALANCE, July 1	43,325,669
FUND BALANCE, June 30	\$ 57,038,232

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, 2021**

Net changes in fund balance - total governmental funds \$ 13,712,563

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	643,898
Other postemployment benefits related amounts	(9,000)

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.	(13,586)
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Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.	(4,238,318)
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Change in net position of governmental activities	<hr style="border: 0.5px solid black;"/> <u><u>\$ 10,095,558</u></u>
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See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Prop 10 Tobacco Tax	\$ 21,554,480	\$ 21,554,480	\$ 25,496,594	\$ 3,942,114
Investment income earned on tobacco taxes at the State level	-	-	15,412	15,412
Other State operating grants and contributions	1,840,000	2,683,500	4,713,034	2,029,534
Federal operating grants	250,000	250,000	379,171	129,171
Investment income	100,000	100,000	131,764	31,764
Other revenue	7,800,000	7,800,000	9,285,073	1,485,073
Total Revenues	31,544,480	32,387,980	40,021,048	7,633,069
EXPENDITURES				
Current:				
Salaries and benefits	1,910,081	1,910,081	1,724,112	185,969
Expenditures related to the "Zero to Five" Program	26,852,466	27,429,366	22,943,993	4,485,373
Catalytic Round 1 and 2 Program Funding	4,550,000	4,550,000	1,640,380	2,909,620
Total Expenditures	33,312,547	33,889,447	26,308,485	7,580,962
Net Change in Fund Balance	(1,768,067)	(1,501,467)	13,712,563	(15,214,030)
FUND BALANCE, July 1	28,944,927	28,557,109	43,325,669	-
FUND BALANCE, June 30	\$ 27,176,860	\$ 27,055,642	\$ 57,038,232	\$ (15,214,030)

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Accounting and Measurement Focus

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

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

Government-Wide Financial Statements

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

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 Items

Prepaid pension contributions are reported as a prepaid items 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, 2021 to June 30, 2022. A balance of \$184,087 is reported as of June 30, 2021 after any remaining contributions for the fiscal year were deducted from the prepaid account. Because the next actuarial valuation to determine the Commission's net pension liability will occur on December 31, 2021, 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.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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.

Pensions

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/asset, which represents the Commission's proportionate share of the excess of the total pension liability/asset over the fiduciary net position reflected in the actuarial report provided by the Orange County Employees Retirement System (OCERS). The net pension liability/asset is measured as of OCERS' prior fiscal year end December 31, 2020 and is reported on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Changes in the net pension 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 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, 2020
Measurement Date	December 31, 2020
Measurement Period	January 1, 2020 to December 31, 2020

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021, 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, 2021:

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.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 \$32.8 million represent Board-approved future year contracts for Catalytic Programs (\$3.3 million) and annual programs and operations (\$29.5 million). The most significant Catalytic Program encumbrance is for Children's Dental (\$3.4 million). The two largest program encumbrance balances are for the Bridges: Maternal Child Health Network (\$8 million) and School District Partnerships (\$11.2 million). Encumbrances for Catalytic Programs are reported in Committed fund balance and encumbrances for other programs are reported in Assigned fund balance.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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. 84

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The principal objective of GASB 84 is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This statement did not have a material impact to the Commission's financial statements.

GASB Statement No. 90

In August 2018, the 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This statement did not have a material impact to the Commission's financial statements.

GASB Statement No. 98

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replaces instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Commission implemented this statement effective July 1, 2020.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

GASB has issued the following pronouncements prior to June 30, 2021, that have effective dates which may impact future financial statement presentation. The effect of these statements is currently under review by the Commission:

GASB Statement No. 87, *Leases.*

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.*

GASB Statement No. 91, *Conduit Debt Obligations.*

GASB Statement No. 92, *Omnibus 2020.*

GASB Statement No. 93, *Replacement of Interbank Offered Rates.*

GASB Statement No. 94, *Public-Private and Public Partnerships and Availability Payment Arrangements.*

GASB Statement No. 96, *Subscription-based Information Technology Arrangements.*

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32.*

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments in County Treasury	\$ 52,741,932
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 52,751,932</u>

Cash and investments consisted of the following at June 30, 2021:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 52,741,932
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 52,751,932</u>

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

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)

All Money Market Mutual Funds must be AAAM rated by two NRSROs, invest only in direct obligations in US Treasury bills, notes, bonds, U.S. Government Agencies, Municipal debt and repurchase agreements with a weighted average maturity of 60 days or less, and have a minimum of \$500 million in assets under management. Money Market Mutual Funds that do not maintain a constant NAV (Net Asset Value) will be prohibited.

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, 2021, 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 Annual Comprehensive Financial Report.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2021, 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, 2021 of \$52,741,932 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, 2021, were as follows:

Due from State Commission:	
Prop 10 revenue for:	
June 2021	\$1,561,620
Surplus Money Investment Fund Allocations	15,412
First 5 IMPACT and Hubs Program	2,319,480
Due from other governmental agencies for:	
California Department of Healthcare Services	4,586,928
Total Due from Other Governments	<u>\$8,483,440</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021, were as follows:

Due to government agencies:	
FY 2020-2021 Contract Payment Accruals	\$ <u>3,298,607</u>
Total Due to Other Governments	\$ <u><u>3,298,607</u></u>

NOTE 5 – COMPENSATED ABSENCES

The vested compensated absences liability balance at June 30, 2021 consists of the following activity:

Balance			Balance	Due Within
<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>One Year</u>
<u>\$85,618</u>	<u>\$109,709</u>	<u>\$96,123</u>	<u>\$99,204</u>	<u>\$76,769</u>

NOTE 6 – FUND BALANCE

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance as of June 30, 2021 consists of the following:

	<u>June 30, 2021</u>
Nonspendable:	
Prepays and Advances	\$2,385,722
Committed for:	
Catalytic Round 1 and 2 programs	15,241,303
Assigned for:	
Approved contracts	37,229,072
Unassigned	<u>2,182,135</u>
Total fund balance	<u><u>\$57,038,232</u></u>

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for Fiscal Year 2021-22 that were paid during the fiscal year. 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, 2021.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2021 for Fiscal Years 2020-2023 and future years of Commission Round 1 and 2 Catalytic funding.

Assigned for approved contracts – consists of Fiscal Year 2021-2022 programs that were approved by Commission action and included in the Fiscal Year 2021-2022 Operating Budget.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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 2020 or the second half of fiscal year 2019-2020 (based on the December 31, 2017 valuation) was 37.97% of compensation. The average employer contribution rate for the last six months of calendar year 2020 or the first half of fiscal year 2020-2021 (based on the December 31, 2018 valuation) was 40.02% of compensation. Contributions recognized by the plan in FY 2020-21 were \$152,265.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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 2020 or the second half of fiscal year 2019-2020 (based on the December 31, 2017 valuation) was 12.63% of compensation. The average member contribution rate for the last six months of calendar year 2020 or the first half of fiscal year 2020-2021 (based on the December 31, 2018 valuation) was 12.47% of compensation.

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

At June 30, 2021, the Commission reported a net pension asset of (\$612,417) for its proportionate share of the net pension liability (NPL)/(asset). The NPL/(asset) was measured as of December 31, 2020. 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, 2019. At December 31, 2020, the Commission’s proportion was -0.015% percent allocated based on the actual employer contributions within the Commission’s rate group. This represents a decrease from 0.002%, from the proportionate measured as of December 31, 2019.

For the year ended June 30, 2021, the Commission recognized pension expense of (\$497,900). As of June 30, 2021, 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	\$131,797	
Changes in proportion and differences between employer contributions and proportionate share of contributions	143,769	\$1,156,467
Changes of assumptions or other inputs	(67,034)	
Difference between expected and actual experience	(13,122)	(15,836)
Commission contributions subsequent to the measurement date	184,087	
Total	\$379,497	\$1,140,631

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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)

Amounts reported as contributions made subsequent to the measurement date of \$184,087 will be recorded as an addition to net pension asset in the next fiscal year. 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:

2022	\$	(471,966)
2023		(411,273)
2024		(342,312)
2025		(217,925)
2026		498,255
	<u>\$</u>	<u>(945,221)</u>

Actuarial assumptions. For the measurement period ended December 31, 2020 (the measurement date), total pension liability (TPL) was determined by rolling forward the December 31, 2019 (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, 2017 through December 31, 2019.

Net investment return: 7.00%

Inflation 2.50%

Salary Increases General: 4.00% to 11.00% and Safety: 4.60% to 15.00%, varying by service, including inflation

Cost of Living Adjustments 2.75% of retirement income

Post – Retirement Mortality Rates:

Healthy: For General Members: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019

Disabled: For General Members: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019

Beneficiaries: Pub-2010 Generational Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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 in 2020 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 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, 2020 actuarial valuation. This information will change every three years based on the actual experience study.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA – Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	<u>2.50%</u>	2.50%
Total	100.00%	

Discount rate. The discount rate used to measure the TPL was 7.00% as of December 31, 2020 and 2019. 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 both December 31, 2020 and 2019.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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 NPL/(asset) 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 (asset)	83,263	(\$612,417)	(\$1,179,503)

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 2021-2022	25,072
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Rent expense was \$74,708 for the year ended June 30, 2021.

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, 2021 was \$21,954. The Commission incurred expenses totaling \$307,116 for all other County services provided during the year ended June 30, 2021. The amount owed to the County of Orange for related party transactions at June 30, 2021 was \$36,768.

The Commission paid \$2,065,617 of service provider grants to organizations represented by a member of the Board of Commissioners, although all members abstain from all votes regarding funding to the organization represented. The Commission incurred a total of \$273,136 in expenses paid to the County of Orange for program services delivered by the Health Care Agency and Social Services Agency.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021, the Commission expended \$957,748 for program evaluation.

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

At June 30, 2021, 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	\$21,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,000
	\$67,000

Deferred inflows of resources:

Differences between expected and actual experience	7,000
Changes in assumptions	10,000
Net difference between projected and actual earnings on plan investments	15,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,000
	\$35,000

Net OPEB Liability: \$271,000

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 2020-2021 Annual Comprehensive Financial Report. The Commission is reported in the County’s Annual Comprehensive Financial Report 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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

available under limited circumstances as defined in the plan for an employee whose employment terminates prior to becoming eligible for a grant.

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, 2021, the Commission's contributions were \$38,000.

At June 30, 2021, the Commission reported a liability of \$271,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2020, the Commission's proportion was 0.0810 percent, an increase of 0.0122% from the prior measurement date.

For the fiscal year ended June 30, 2021, the Commission recognized OPEB expense of \$30,000. As of fiscal year ended June 30, 2021, the Commission reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$21,000	
Differences between expected and actual experience		\$7,000
Changes of assumptions		10,000
Net difference between projected and actual earnings on plan investments		15,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,000	3,000
Total	\$67,000	\$35,000

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

The \$21,000 reported as deferred outflows of resources related to contributions subsequent to the December 31, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows Of Resources
2022	\$(2,000)
2023	-
2024	(4,000)
2025	1,000
2026	3,000
2027+	13,000

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 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 Starting 2021/22 Employer will contribute ADC for cash benefit and pay the blended rates benefit on a pay-as-you-go basis
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 Scale MP-2016
Medical Trend	Non-Medicare – 7.25% for 2021, decreasing to 4.0% in 2076
	Medicare – 6.3% for 2021, decreasing to 4.0% in 2076
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.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

**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
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Equity	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA – Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
Total Portfolio	100.00%	

-Assumed Long-Term Rate of Inflation – 2.50%

-Expected Long-Term Net Rate of Return – 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	\$341,000	\$271,000	\$211,000

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	\$262,000	\$271,000	\$280,000

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 assess, 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 \$3,263,424 for a three-year period that began July 1, 2020. Funds claimed for the period ending June 30, 2021 totaled \$610,222, and all IMPACT funds require a two to one program partner match of two dollars of First 5 CA funding to every dollar of local funding.

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 the 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 was \$841,028 for one year that began July 1, 2020. Funds claimed for the period ending June 30, 2021 totaled \$749,771.

First 5 California also provided funding for two other programs. The Home Visiting Coordination program coordinates efforts among the various organizations providing home visiting services. While First 5 Orange County has been the primary funder of home visiting in the county, there is not a comprehensive countywide plan for sustained home visiting services. The funding helps to build understanding about what home visiting services are available and who receives them, cultivate leadership around the importance of home visiting in the PN3 system, and develop a shared vision among key stakeholders in Orange County

The Dual Language Learner program examines how specific strategies in instruction, professional development, and family engagement support positive outcomes for dual language learner children and their families. The study considers the use of strategies for different age groups, in different settings, and with children speaking different languages represented in California

NOTE 14 – ADVANCES TO OTHERS

Advances to others as of June 30, 2021 were \$2,201,635. 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 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	6/30/2020	6/30/2021
Proportion of the net pension liability	0.078%	0.071%	0.061%	0.019%	0.010%	(0.013%)	(0.015%)
Proportionate share of the net pension liability	\$3,957,426	\$4,066,522	\$3,158,290	\$962,203	\$630,611	(\$646,472)	(\$612,417)
Covered payroll	\$1,043,030	\$1,042,786	\$925,031	\$849,266	\$966,061	\$1,061,044	\$1,167,468
Proportionate share of the net pension liability as a percentage of covered payroll	379.42%	389.97%	341.43%	113.30%	65.28%	(60.93%)	(52.46%)
Plan fiduciary net position as a percentage of the total plan pension liability	67.15%	64.73%	71.16%	74.93%	70.03%	76.67%	81.69%
Measurement date	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020

* Fiscal Year 2014-2015 was the first year of implementation, therefore, only seven 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	6/30/2020	6/30/2021
Contractually required contribution (actuarially determined)	\$319,651	\$333,800	\$245,077	\$266,614	\$90,445	\$117,300	\$152,265
Contributions in relation to the actuarially determined contributions	(319,651)	(333,800)	(245,077)	(266,614)	(90,445)	(117,300)	(152,265)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	\$1,005,475	\$1,001,202	\$821,497	\$864,802	\$1,050,566	\$1,208,381	\$1,221,222
Contributions as a percentage of covered payroll	31.79%	33.34%	29.83%	30.83%	8.61%	9.71%	12.47%

* Fiscal Year 2014-2015 was the first year of implementation, therefore, only seven 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	2020	2021
Commission's proportion of the net OPEB liability	\$276,000	\$290,000	\$245,000	\$271,000
Commission's proportionate share of the net OPEB liability	0.0689%	0.0698%	0.0688%	0.081%
Commission's covered payroll	819,000	930,000	975,000	1,088,000
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll	33.70%	31.18%	25.13%	24.91%
Plan fiduciary net position as a percentage of the total OPEB liability	42.30%	42.56%	51.02%	55.38%
Measurement Date	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020

* Fiscal Year 2017-2018 was the first year of implementation, therefore, only four 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	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution (ADC)	\$34,000	\$39,000	\$41,000	\$38,000
Contribution in relation to the ADC	(34,000)	(39,000)	(41,000)	(38,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	877,000	975,000	1,091,000	1,154,000
Contributions as a percentage of covered payroll	3.90%	4.00%	3.76%	3.29%

* Fiscal Year 2017-2018 was the first year of implementation, therefore, only four 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, 2020**

First 5 California Funding

<u>Program Title</u>	<u>Funding Source</u>	<u>Beginning Program Balance (As of July 1)</u>	<u>Revenue* F5CA Funds</u>	<u>Expenditures</u>	<u>Ending Program Balance (As of June 30)</u>
IMPACT	F5CA Program Funds County, Local Funds	\$3,263,424	\$610,222	\$610,222 \$305,111	\$2,653,202
IMPACT Hub	F5CA Program Funds	\$841,028	\$749,771	\$749,771	\$91,257
Dual Language Learner	F5CA Program Funds	\$154,543	\$20,000	\$20,000	\$134,543
Home Visiting Coordination	F5CA Program Funds	\$200,000	\$4,679	\$4,679	\$195,321

* For the purpose of this schedule, the revenue and expenditures reported, in amount of \$610,222 for IMPACT, \$749,771 for IMPACT Hub, \$20,000 for Dual Language Learner, and \$4,679 for Home Visiting Coordination represents the amount claimed by the Commission. For governmental fund or modified accrual financial reporting purposes, a total of \$818,537 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 annual comprehensive 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.

	<i>Page(s)</i>
Financial Trends	50
These schedules contain trend information to help the reader understand how the Commission’s financial performance and well-being have changed over time. (Schedules 1 -4)	
Revenue Capacity	58
These schedules contain trend information to help the reader assess the Commission’s most significant revenue base. (Schedules 5 -7)	
Demographic Information	62
These schedules offer economic and demographic indicators to help the reader understand how the information in the Commission’s financial report relates to the services the Commission provides and the activities it performs. (Schedules 8 -10)	
Operating Information	66
This schedule contains infrastructure data to help the reader understand how the information in the Commission’s financial report relates to the services the Commission performs. (Schedules 11 -13)	

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

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

STATISTICAL

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 FINANCIAL TRENDS
 NET POSITION BY COMPONENT
 SCHEDULE 1**

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2021	2020	2019	2018*
Net investment in capital	\$ -	\$ -	\$ -	\$ -
Unrestricted	57,224,411	47,128,853	40,695,150	37,446,530
Total net position	<u>\$ 57,224,411</u>	<u>\$ 47,128,853</u>	<u>\$ 40,695,150</u>	<u>\$ 37,446,530</u>

* 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)**



Fiscal Year					
2017	2016	2015**	2014	2013	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44,034,865	51,621,511	54,471,707	64,690,535	72,411,134	78,984,810
\$ 44,034,865	\$ 51,621,511	\$ 54,471,707	\$ 64,690,535	\$ 72,411,134	\$ 78,984,810

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

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2021	2020	2019	2018
Expenses:				
Governmental activities:				
Salaries and benefits	\$1,105,824	854,804	961,012	1,149,377
Expenses related to "Zero to Five" Programs	24,581,349	29,826,480	26,092,909	32,076,788
Total expenses	<u>25,687,173</u>	<u>30,681,284</u>	<u>27,053,921</u>	<u>33,226,165</u>
Revenues:				
Governmental activities:				
Operating grants and contributions				
Prop 10 Tobacco taxes	\$ 25,496,594	\$ 24,991,179	\$ 23,573,280	\$ 21,867,232
First 5 CARES Plus				
First 5 Child Signature Program				
First 5 IMPACT and Hubs, DDL, HV	1,407,032	4,124,541	2,120,578	2,745,724
Other State operating grants and				
Federal operating grants	379,171	6,599,710	3,009,855	1,628,595
Investment income earned on tobacco	15,412	86,655	64,514	31,875
taxes at the State Level (SMIF)				
General revenues				
Investment income	131,764	1,021,339	1,188,495	431,764
Other revenue	8,352,758	302,616	345,819	191,640
Extraordinary Item: Reversal of AB99 liability				
Total revenues	<u>\$ 35,782,731</u>	<u>\$ 37,126,040</u>	<u>\$ 30,302,541</u>	<u>\$ 26,896,830</u>
Change in Net Position	<u>\$ 10,095,558</u>	<u>\$ 6,444,756</u>	<u>\$ 3,248,620</u>	<u>\$ (6,329,335)</u>

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

Fiscal Year					
2017	2016	2015	2014	2013	2012
1,215,649	1,727,197	1,689,772	1,747,564	1,704,815	2,094,872
33,178,190	30,870,890	34,608,366	36,672,235	33,341,947	31,129,369
34,393,839	32,598,087	36,298,138	38,419,799	35,046,762	33,224,241
\$ 24,790,836	\$ 25,879,036	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350
	246,281	575,300	269,033	237,504	435,487
	2,042,528	3,350,818	2,719,243	90,171	
976,964					
445,121	696,686	260,297	902,242	668,105	592,725
20,192	12,315	8,082	7,071	9,588	11,612
343,403	441,810	206,029	349,366	122,358	481,976
230,677	429,235	151,086	56,520	320,180	265,632
					51,369,439
\$ 26,807,193	\$ 29,747,891	\$ 30,495,236	\$ 30,699,200	\$ 28,472,411	\$ 82,145,221
\$ (7,586,646)	\$ (2,850,196)	\$ (5,802,902)	\$ (7,720,599)	\$ (6,574,351)	\$ 48,920,980

**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			
	2021	2020	2019	2018
FUND BALANCES				
Nonspendable fund balance	\$ 2,385,722	\$ 3,958,321	\$ 3,889,032	\$ 4,542,478
Committed fund balance	15,241,303	13,237,942	14,472,082	18,596,717
Assigned fund balance	37,229,072	26,129,406	18,932,072	14,001,862
Unassigned fund balance	2,182,135			
Total fund balances	<u>\$ 57,038,232</u>	<u>\$ 43,325,669</u>	<u>\$ 37,293,186</u>	<u>\$ 37,141,057</u>

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



Fiscal Year					
2017	2016	2015	2014	2013	2012
\$ 5,566,849	\$ 7,277,958	\$ 9,340,291	\$ 10,782,162	\$ 5,624,041	\$ 65,657
21,769,602	26,486,583	30,112,816	34,561,184	44,990,092	45,090,000
19,957,923	20,866,371	15,589,112	16,374,998	21,350,266	33,560,512
<u>\$ 47,294,374</u>	<u>\$ 54,630,912</u>	<u>\$ 55,042,219</u>	<u>\$ 61,718,344</u>	<u>\$ 71,964,399</u>	<u>\$ 78,716,169</u>

**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			
	2021	2020	2019	2018
Revenues:				
Prop 10 Tobacco taxes	\$ 25,496,594	\$ 28,541,094	\$ 20,023,365	\$ 21,867,232
First 5 CARES Plus				
First 5 Child Signature Program				
First 5 IMPACT and Hubs, DLL, HV	-	1,238,020	2,755,797	977,176
Investment income earned on tobacco taxes at the State Level (SMIF)	15,412	151,169	-	31,875
Other State and Federal operating grants and contributions	5,092,205	6,149,940	3,361,107	1,628,595
Investment income	131,764	1,021,339	1,188,495	431,764
Other revenue	9,285,073	302,616	345,819	191,640
Total revenues	<u>40,021,048</u>	<u>37,404,178</u>	<u>27,674,583</u>	<u>25,128,282</u>
Expenditures:				
Current:				
Salaries and benefits	1,724,112	1,545,217	1,429,545	3,204,810
Expenditures related to "Zero to Five" Program	22,943,993	26,470,166	21,571,504	26,410,285
Catalytic Round 1 and 2 Program Funding	1,640,380	3,356,314	4,521,405	5,666,504
Capital outlay				
Total expenditures	<u>26,308,485</u>	<u>31,371,697</u>	<u>27,522,454</u>	<u>35,281,599</u>
Excess (deficiency) or revenues over (under) expenditures	13,712,563	6,032,481	152,129	(10,153,317)
Other Financing Sources (uses):				
Extraordinary Item: Reversal of AB99				
Total changes in fund balance	<u>\$ 13,712,563</u>	<u>\$ 6,032,481</u>	<u>\$ 152,129</u>	<u>\$ (10,153,317)</u>

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

Fiscal Year					
2017	2016	2015	2014	2013	2012
\$ 24,790,836	\$ 25,879,036	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350
	320,200	272,815	306,465	217,258	145,487
	4,451,854	2,666,529	117,853		
1,419,176					
20,192	12,315	8,082	7,071	9,588	11,612
445,121	696,686	420,247	741,798	603,957	903,770
343,403	441,810	206,029	349,365	122,358	481,976
230,677	429,236	151,086	282,705	320,180	90,786
27,249,405	32,231,137	29,668,412	28,200,982	28,297,846	30,621,981
1,407,753	1,771,554	1,736,171	1,774,802	1,708,344	2,094,972
26,146,461	24,621,958	28,193,233	31,347,721	28,712,645	31,155,080
7,031,729	6,248,932	6,415,133	5,324,514	4,629,302	
34,585,943	32,642,444	36,344,537	38,447,037	35,050,291	33,250,052
(7,336,538)	(411,307)	(6,676,125)	(10,246,055)	(6,752,445)	(2,628,071)
					51,369,439
\$ (7,336,538)	\$ (411,307)	\$ (6,676,125)	\$ (10,246,055)	\$ (6,752,445)	\$ 48,741,368

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

FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY

	Orange County	State Total
Actual Tobacco Tax Revenues Received (1)		
2008/2009	\$33,396,055	\$424,449,499
2009/2010	\$29,706,126	\$381,995,574
2010/2011	\$28,809,921	\$374,284,018
2011/2012	\$28,988,350	\$377,690,133
2012/2013	\$27,024,505	\$360,434,399
2013/2014	\$26,395,725	\$347,802,124
2014/2015	\$25,943,624	\$342,274,305
2015/2016	\$25,879,036	\$341,825,349
2016/2017	\$24,790,836	\$322,951,561
2017/2018	\$21,867,232	\$285,852,695
2018/2019	\$23,573,280	\$302,205,278
2019/2020	\$24,991,179	\$315,315,235
2020/2021	\$25,496,594	\$324,935,472

Projected Tobacco Tax Revenues (2)

2021/2022	\$24,837,945	\$317,721,358
2022/2023	\$24,349,961	\$310,421,358
2023/2024	\$23,657,485	\$302,480,558
2024/2025	\$23,279,110	\$294,954,158
2025/2026	\$22,903,887	\$287,671,758

(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 2021/22 to 2025/26 (Updated 6/6/21 utilizing DOF May Revise 2021 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 1980-81 TO 2019-20

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
2019-20	1,708,597,000	5,075,000	1,713,672,000	1,191,000	258,560,000	59.27%
2018-19	1,786,074,000	5,305,000	1,791,379,000	3,659,000	271,772,000	62.78%
2017-18	1,882,025,000	5,590,000	1,887,615,000	1,033,000	211,440,000	65.08%
2016-17	950,676,000	6,091,000	956,768,000	1,185,000	95,530,000	27.30%
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%
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	7,206,000	849,117,000	6,808,000	42,137,000	61.53%
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	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	6,581,000	776,623,000	11,615,000	24,956,000	37.47%
1988-89	499,712,000	4,273,000	503,984,000	4,968,000	9,994,000	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		

**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 1980-81 TO 2019-20

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		
1979-80	272,119,000	2,327,000	274,446,000	1,645,000		
1978-79	270,658,000	2,315,000	272,973,000	1,408,000		
1977-78	275,042,000	2,352,000	277,394,000	1,239,000		
1976-77	270,502,000	2,315,000	272,817,000	832,000		
1975-76	269,852,000	2,309,000	272,161,000	927,000		
1974-75	264,182,000	2,262,000	266,444,000	745,000		
1973-74	259,738,000	2,222,000	261,960,000	632,000		
1972-73	253,089,000	2,167,000	255,256,000	626,000		
1971-72	248,398,000	2,127,000	250,525,000	677,000		
1970-71	240,372,000	2,058,000	242,430,000	552,000		
1969-70	237,220,000	2,032,000	239,253,000	455,000		
1968-69	238,836,000	2,046,000	240,882,000	492,000		
1967-68	208,125,000	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	1,675,000	67,726,000	76,000		
1959-60	61,791,000	767,000	62,558,000	67,000		

Source: CDTFA Open Data Portal: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2019-20

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

- a. Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
- b. A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was 2 percent.
- c. Includes sales of indicia purchased on credit. Effective July 16, 1961, distributors have been able to purchase tax indicia on credit.
- d. 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.
- n. The total 2017-18 expenditures for Prop 56 are \$4,932,471. The breakdown by fund is: 1) \$677,227 – Fund 3304, 2) \$4,255,244 – Fund 3308 (please note that in 2017-18 the fund was 3308 and now 3319 is a subaccount of this fund). The total 2018-19 expenditures for Prop 56 are \$3,638,637. The breakdown by fund is: 3) \$521,404 – Fund 3304, 4) \$3,117,233 – Fund 3319. Funds are used to reimburse the CDTFA for expenses incurred in the administration, enforcement, collection and distribution of the tax imposed by Proposition 56.
- r. Revised

**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 2019-20

Fiscal year	Reported distributions (Millions of packages)			Apparent per capita consumption (a.) (In packages)
	Total	Tax paid	Tax exempt	
1	2	3	4	5
2019-20	628	597	31	15.8
2018-19	635	624	11	15.9
2017-18	665	651	14	16.7
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: CDITFA Open Data Portal: Table 30B - Cigarette Distributions and Per Capita Consumption, 1959-60 to 2019-20

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 INFORMATION
DEMOGRAPHIC DATA
SCHEDULE 8**

ORANGE COUNTY DEMOGRAPHIC DATA

Calendar Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Population	3,190,832	3,195,197	3,195,455	3,188,779	3,169,925	3,154,363	3,132,650	3,110,857	3,086,559	3,052,320
White	1,326,050	1,332,715	1,337,681	1,343,625	1,344,555	1,346,706	1,346,692	1,346,584	1,345,911	1,340,485
Black	48,930	48,709	48,461	48,291	47,967	47,666	47,378	46,861	46,338	45,547
American Indian or Alaska Native	6,847	6,814	6,803	6,757	6,694	6,646	6,616	6,567	6,501	6,410
Asian	580,384	582,038	582,939	578,861	572,878	568,260	562,210	556,929	551,357	544,494
Native Hawaiian or Pacific Islander	9,196	9,214	9,229	9,179	9,118	9,062	8,976	8,907	8,804	8,690
Multiracial	84,081	83,019	81,798	80,332	78,567	76,945	75,229	73,659	72,096	70,204
Hispanic (any race)	1,135,344	1,132,688	1,128,544	1,121,734	1,110,146	1,099,078	1,085,549	1,071,350	1,055,552	1,036,490
Female	1,601,896	1,603,925	1,604,432	1,601,624	1,592,776	1,586,166	1,576,358	1,566,605	1,555,811	1,539,929
Male	1,588,936	1,591,272	1,591,023	1,587,155	1,577,149	1,568,197	1,556,292	1,544,252	1,530,748	1,512,391
Under 5 years	182,219	186,052	189,077	190,548	190,418	191,761	190,781	190,673	192,015	192,857
5-9 years	193,823	194,249	195,181	197,550	199,511	200,327	201,722	202,687	201,720	199,456
10-14 years	202,417	205,066	207,164	207,123	206,040	206,963	207,959	208,771	209,070	210,522
15-19 years	221,175	223,102	224,592	225,606	229,594	231,068	232,205	233,344	236,225	232,830
20-24 years	232,884	234,883	238,125	242,422	241,899	237,404	232,533	226,620	218,780	213,276
25-34 years	382,813	385,438	388,463	390,626	393,549	399,655	405,611	409,265	412,055	413,338
35-44 years	405,022	408,397	409,018	408,554	409,183	413,829	420,177	427,246	433,173	437,216
45-54 years	442,648	449,860	457,322	462,522	462,357	461,678	458,394	454,950	452,278	448,863
55-59 years	217,903	219,708	218,745	217,212	214,016	209,792	203,586	198,210	191,660	184,443
60-64 years	196,699	192,323	188,312	182,801	176,306	169,450	163,416	158,957	155,147	153,019
65-74 years	290,037	281,321	273,042	264,872	254,836	245,537	234,506	223,007	211,452	198,440
75-84 years	155,970	150,379	144,546	138,024	132,651	129,015	125,221	122,220	118,979	115,920
85+	67,222	64,419	61,868	60,919	59,565	57,884	56,539	54,907	54,005	52,140

Sources: California Department of Finance. Demographic Research Unit. Report P-2A, P-2B, P-2C, P-2D: Population Projections, California Counties, 2010-2060 (Baseline 2019 Population Projections; Vintage 2020 Release). Sacramento: California. July 2021.

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

LIVE BIRTHS, CALIFORNIA COUNTIES, 2011-2020(By Place of Residence)*

COUNTY	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
CALIFORNIA	448,754	446,548	454,244	471,806	488,925	491,789	502,973	494,392	503,788	502,023
ALAMEDA	18,082	18,197	18,225	18,896	19,576	19,442	19,657	19,248	19,550	19,002
ALPINE	6	17	10	7	7	3	6	5	8	6
AMADOR	321	314	305	303	307	305	291	261	285	269
BUTTE	2,083	2,149	2,419	2,389	2,491	2,442	2,482	2,415	2,397	2,392
CALAVERAS	392	401	375	421	374	380	348	337	347	326
COLUSA	253	249	267	293	316	298	285	313	314	302
CONTRA COSTA	11,999	11,811	11,995	12,186	12,344	12,599	12,560	12,149	12,061	12,057
DEL NORTE	235	281	269	269	310	300	324	315	302	337
EL DORADO	1,577	1,531	1,678	1,572	1,602	1,596	1,618	1,533	1,513	1,629
FRESNO	14,367	14,051	14,413	14,546	15,134	15,363	15,796	15,735	15,953	16,157
GLENN	398	398	365	378	379	376	416	399	368	391
HUMBOLDT	1,371	1,406	1,365	1,372	1,491	1,445	1,474	1,531	1,511	1,448
IMPERIAL	2,553	2,618	2,628	2,924	2,990	3,217	3,270	3,068	3,041	3,075
INYO	177	191	176	212	182	203	226	230	219	213
KERN	13,068	12,772	12,874	13,330	13,733	13,769	14,199	14,145	14,558	14,287
KINGS	2,206	2,101	2,256	2,375	2,248	2,275	2,342	2,394	2,357	2,565
LAKE	729	732	714	750	749	724	748	758	739	715
LASSEN	245	284	307	301	306	294	326	294	298	300
LOS ANGELES	106,450	106,987	110,167	116,850	122,940	124,438	130,150	128,523	131,697	130,312
MADERA	2,117	2,066	2,076	2,121	2,355	2,225	2,313	2,314	2,258	2,401
MARIN	2,059	2,083	2,122	2,238	2,255	2,288	2,403	2,320	2,306	2,385
MARIPOSA	156	132	154	141	148	166	138	134	161	132
MENDOCINO	950	926	896	992	1,024	1,052	1,020	1,014	1,153	1,061
MERCED	4,029	3,851	3,870	4,202	4,117	4,105	4,158	4,161	4,311	4,281
MODOC	29	89	100	88	97	80	90	63	76	87
MONO	99	128	129	147	131	152	149	150	131	156
MONTEREY	5,777	5,882	5,887	5,813	6,222	6,426	6,458	6,547	6,652	6,814
NAPA	1,278	1,294	1,206	1,291	1,407	1,456	1,478	1,449	1,431	1,572
NEVADA	828	812	772	797	783	876	817	816	810	761
ORANGE	35,201	34,909	35,643	37,395	38,121	37,622	38,610	37,256	38,186	38,100
PLACER	3,759	3,660	3,664	3,691	3,733	3,748	3,644	3,684	3,648	3,832
PLUMAS	149	162	168	173	169	163	147	152	151	165
RIVERSIDE	28,908	28,255	28,684	29,880	30,682	30,510	30,271	29,930	30,316	30,610
SACRAMENTO	19,130	18,988	19,052	19,206	19,592	19,430	19,886	19,367	19,618	19,998
SAN BENITO	802	791	772	735	777	720	697	752	701	772
SAN BERNARDINO	29,035	28,688	28,964	29,708	31,114	30,619	31,306	30,201	30,691	30,573
SAN DIEGO	38,936	38,645	40,008	41,251	42,741	43,961	44,596	43,627	44,391	43,621
SAN FRANCISCO	8,346	8,396	8,690	8,950	9,061	8,972	9,102	8,807	9,070	8,813
SAN JOAQUIN	10,184	10,076	9,811	9,929	10,269	9,986	10,095	9,799	10,129	10,328
SAN LUIS OBISPO	2,522	2,464	2,433	2,551	2,582	2,668	2,595	2,650	2,580	2,632
SAN MATEO	8,157	8,253	8,326	8,586	8,961	9,040	9,098	8,821	9,182	9,047
SANTA BARBARA	5,456	5,512	5,256	5,533	5,501	5,673	5,829	5,753	5,584	5,803
SANTA CLARA	20,971	21,100	21,267	22,137	23,044	23,393	23,759	23,296	24,308	23,652
SANTA CRUZ	2,425	2,395	2,447	2,661	2,803	2,841	3,047	2,867	3,084	3,232
SHASTA	1,876	1,876	1,961	2,008	2,048	2,074	2,083	2,140	2,110	2,021
SIERRA	20	24	26	32	32	31	21	14	19	23
SISKIYOU	332	434	438	446	462	466	451	443	501	472
SOLANO	5,119	5,053	5,039	5,133	5,262	5,132	5,251	5,255	5,061	5,158
SONOMA	4,333	4,377	4,525	4,645	4,964	5,016	5,075	4,982	5,144	5,150
STANISLAUS	7,469	7,295	7,339	7,443	7,867	7,700	7,521	7,579	7,592	7,737
SUTTER	1,249	1,255	1,266	1,263	1,368	1,302	1,317	1,285	1,258	1,326
TEHAMA	803	788	731	743	789	828	787	753	767	728
TRINITY	108	94	113	126	109	102	112	100	125	123
TULARE	6,944	6,763	6,900	7,131	7,146	7,412	7,618	7,651	8,000	7,966
TUOLUMNE	464	466	450	470	456	466	454	475	459	430
VENTURA	8,819	8,829	9,025	9,321	9,592	10,062	10,471	10,441	10,641	10,656
YOLO	2,203	2,080	2,127	2,271	2,423	2,402	2,395	2,491	2,452	2,340
YUBA	1,200	1,167	1,099	1,184	1,239	1,155	1,193	1,200	1,213	1,282

Source: Updated with Department of Finance Birth Projections for California State and Counties 1990-2040

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

CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2019-2010

	2019	2018
<u>GOOD HEALTH</u>		
Total percentage of women who received early prenatal care*	**	89.90%
Newborns with low birth weight (less than 2,500 grams)*	**	2,227
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)	233	180
Children adequately immunized at Kindergarten entry*	95.5%	95.7%
Infant Mortality Rate (per 1,000 live births)*	**	2.8
Birth rates per 1,000 females ages 15-19 in Orange County*	**	8.3
Breastfeeding Percentages (any)*	**	94.3%
Breastfeeding Percentages (exclusive)*	**	67.0%
<u>ECONOMIC WELL-BEING</u>		
Children receiving financial assistance through CalWORKS* (FY)	26,545	30,816
Percent of children receiving CalWORKS of total population under 18* (FY)	3.7%	4.3%
Percentage of students eligible for free and reduced lunch* (FY)	48.6%	49.1%
Number of participants served by the WIC program* (FY)	27,666	57,874
Total number of child support cases* (FY)	68,878	66,296
Total child support collections \$ (in millions)* (FY)	185.3	184.3
<u>EDUCATIONAL ACHIEVEMENT</u>		
Total public school enrollment* (FY)	478,149	485,099
Number of English learner students* (FY)	105,441	113,938
Average \$ expenditure per pupil for grades K-12* (FY)	12,200	11,420
Total number of students K-12 receiving special education* (FY)	**	57,141
<u>SAFE HOMES AND COMMUNITIES</u>		
Average monthly number of children in out-of-home care* (FY)	2,336	2,190
Average monthly number of dependents of the court* (FY)	2,925	2,861
Total juvenile arrests for youth 10 to 17 years of age*	**	2,729
Total number of juveniles referred to probation, 10 to 18 years*	**	4,250

* The 26th Annual Report on the Condition of Children in Orange County 2020 presents dates through calendar year 2019. Data through FY 2020-21 not yet available.

** Not yet available

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
 DEMOGRAPHIC INFORMATION
 CHILDREN'S SCORECARD
 SCHEDULE 10 (CONTINUED)**

2017	2016	2015	2014	2013	2012	2011	2010
86.90%	84.40%	85.20%	86.10%	88.30%	88.6%	88.7%	89.0%
2,222	2,397	2,360	2,433	2,330	2,401	2,550	2,462
5.8%	6.3%	6.3%	6.3%	6.3%	6.3%	6.7%	6.4%
190	178	121	110	98	82	128	89
95.7%	95.5%	92.5%	90.1%	88.7%	89.3%	89.5%	89.0%
3.1	1.5	2.7	3.0	3.3	3.4	4.2	4.0
9.9	10.9	12.0	14.8	16.7	19.2	20.2	22.5
94.8%	95.0%	95.1%	94.8%	94.0%	93.2%	93.2%	92.7%
66.1%	66.1%	67.1%	64.6%	62.7%	62.1%	59.8%	55.6%
34,485	38,982	42,345	42,877	43,916	45,950	46,809	42,793
4.7%	5.5%	6.0%	6.0%	6.1%	6.2%	5.9%	5.4%
47.7%	49.1%	49.0%	50.0%	47.9%	46.4%	45.4%	44.4%
61,406	71,367	78,856	87,408	92,303	98,219	103,563	100,434
70,403	68,117	67,732	68,635	70,608	77,582	89,852	100,056
184.0	182.3	178.8	177.9	178.6	180.1	177.4	177.2
489,791	492,886	497,116	500,487	501,801	502,195	502,895	502,239
119,315	123,001	129,390	130,570	123,390	130,076	126,226	141,605
10,926	9,105	9,128	8,274	7,950	7,952	7,827	7,955
55,908	54,231	53,512	53,005	52,216	51,905	51,613	51,208
2,134	2,107	2,192	2,279	2,257	2,215	2,018	2,195
2,762	2,627	2,799	2,683	2,862	2,791	2,795	3,050
3,770	4,521	4,829	6,580	6,892	8,566	10,797	13,485
5,098	5,617	5,808	7,156	7,821	8,882	10,454	11,533

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
OPERATING INFORMATION
CAPITAL 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 INFORMATION
PRINCIPLE EMPLOYERS
SCHEDULE 12**

PRINCIPAL EMPLOYERS
LAST YEAR AND NINE YEARS AGO

2021*

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
The Walt Disney Co.	28,000	1	1.74%
University of California, Irvine	25,512	2	1.58%
County of Orange	18,543	3	1.15%
Providence	12,866	4	0.80%
Albertsons Southern California Division	8,159	5	0.51%
Kaiser Permanente	8,050	6	0.50%
Hoag Memorial Hospital Presbyterian	6,710	7	0.42%
Walmart Inc.	6,400	8	0.40%
Target Corporation	6,000	9	0.37%
Yum Brands Inc.	5,600	10	0.35%

2011**

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
The Walt Disney Co.	21,275	1	1.37%
County of Orange	17,741	2	1.14%
University of California, Irvine	14,981	3	0.96%
Boeing Co.	11,179	4	0.72%
Albertsons Southern California Division	9,500	5	0.61%
St. Joseph Health System	9,435	6	0.61%
Tenet Healthcare Corp.	8,389	7	0.54%
SBC Communications, Inc.	7,100	8	0.46%
Target Corporation	4,878	9	0.31%
Bank of America Corp.	4,813	10	0.31%

* Source: Orange County Business Journal, Book of Lists 2021

** Source: Orange County Business Journal, Book of Lists 2011

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

**EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of Employees by Function										
General Administration	2	2	3	3	3	3	3	3	4	6
Finance	2	2	2	2	2	2	2	2	1	2
Contracts Administration	2	2	2	2	3	3	4	4	4	4
Program Management & Evaluation	7	6	5	5	4	4	4	4	4	3
Total Employees	<u>13</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>15</u>

* 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 Commissioners
Children and Families Commission of Orange County
Santa Ana, California

We have audited, 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, 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, 2021, and the related notes to the financial statements, which collectively comprise Commission’s basic financial statements and have issued our report thereon dated November 23, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Laguna Hills, California
November 23, 2021



Independent Auditor's Report on State Compliance

To the Board of Commissioners
Children and Families Commission of Orange County
Santa Ana, California

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, 2021.

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:

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

Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2021.

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.



Laguna Hills, California
November 23, 2021