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, 2024

Prepared by:

Michael Garcell, CPA (inactive)

Director of Finance

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2024

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December 2, 2024

Board of Commissioners
First 5 Orange County
Children and Families Commission of Orange County
1505 East 17th Street, Suite 230
Santa Ana, CA 92705

Dear Commissioners and Citizens of Orange County

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, 2024, 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, 2024. 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 2024, the Board of Commissioners confirmed 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 50% in revenue, and tobacco revenue is projected to continue to decline at a rate of 3% to 4% annually. Above and beyond the expected annual decline in tobacco tax revenue was the passage of the sale of flavored tobacco products in November 2022. The ban on the sale of these products had an immediate impact on the tax revenue received in Fiscal Year 2022-2023 and continued to decrease further in Fiscal Year 2023-2024.

The overall decrease in tobacco tax revenues is the focus of discussions around the LTFP. Reduced future year expenditure targets were incorporated into the plan along with some remaining set asides for future anticipated one-time systems building funding. The annual budget reductions will be supplemented with funding reserves to align with future, expected tobacco tax revenue and 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 updated Plan was reviewed again in April 2022. 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 2023-2024 was adopted on June 7, 2023. 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, 2023. 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, 2024

First 5 OC COMMISSION BOARD MEMBERS (9)

Jackie Filbeck (A)
Chair

Soledad Rivera (A)
Vice Chair

Ramin Baschshi, M.D. (A)

Doug Chaffee (M)
Board of Supervisors

Veronica Kelley, DSW (M)
Health Care Agency

Yvette Lavery (A)

Irene Salazar (A)

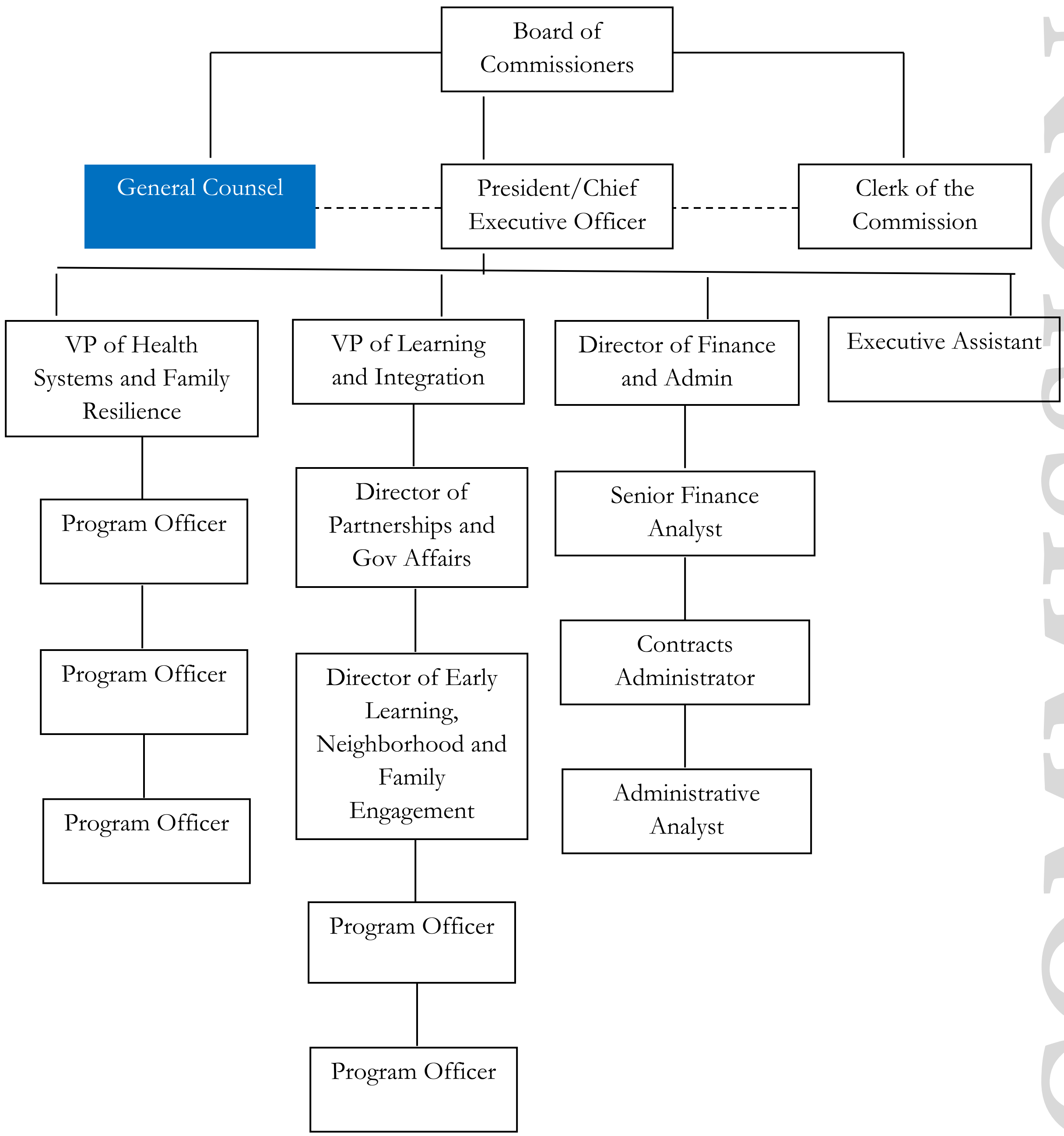
Angie Rowe (A)

An Tran (M)
Social Services Agency

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

COMMISSION

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
ORGANIZATION CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

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 Audit of the Financial Statements

Opinions

We have audited 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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of First 5 California Funding is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Eide Bailly LLP

Laguna Hills, California
December 2, 2024

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, 2024. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Commission as reported on the Statement of Net Position exceeded its liabilities and deferred inflows of resources by $72.2 million at the end of the current fiscal year, an increase of $5.4 million (8.1%) from the prior fiscal year. The increase in Net Position is primarily due to increased interest earnings on investment balances along with program reimbursement revenues and planned decreases in overall program spending.

- As of June 30, 2024, the Commission's governmental fund statements reported an ending fund balance totaling $69.9 million, an increase of $4.3 million (6.5%).

- The total ending fund balance of $69.9 million was classified into the following categories: $0.8 million as non-spendable, $11 million as committed, $44 million as assigned, and $14 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 Commission 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.

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

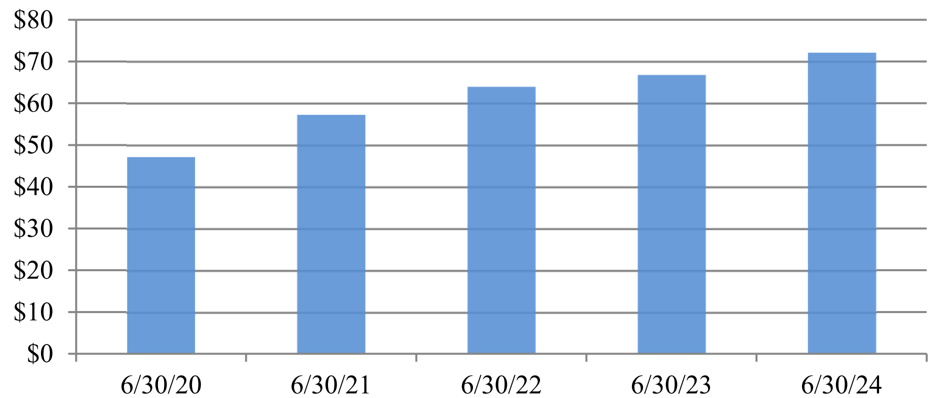
Net Position

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 approximately $72.2 million at the end of the current fiscal year, an increase of 8.1% from the prior fiscal year's net position. The increase is due to increased revenue from investments and planned reductions in ongoing programs costs to align with the long-term financial plan. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2024 and June 30, 2023.

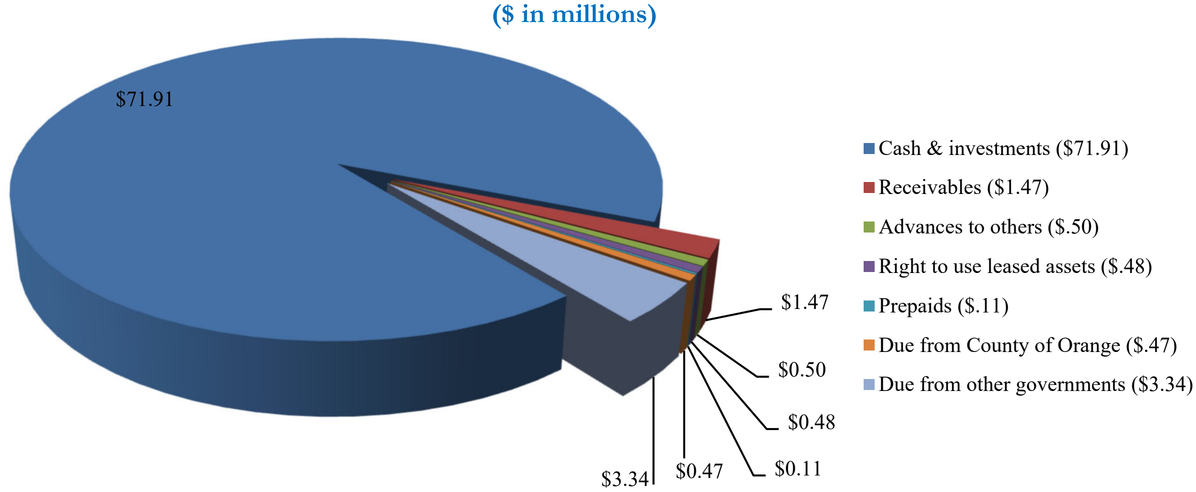
Most of the Commission's net position as of June 30, 2024 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

	FY 2023-24	FY 2022-23	Percent Increase (Decrease)
Assets:			
Cash and investments	$ 71,907,994	$ 67,389,655	6.7%
Imprest cash	0	10,000	-100.0%
Interest receivable	1,473,657	620,439	137.5%
Due from County of Orange	469,448	309,971	51.4%
Due from other governments	3,336,577	3,464,279	-3.7%
Prepaids	112,808	94,779	19.0%
Advances to others	500,000	581,843	-14.1%
Net pension asset	0	21,849	-100.0%
Capital assets - right-to-use lease assets, net of amortization	484,265	521,429	-7.1%
Total assets	78,284,749	73,014,244	7.2%
Deferred Outflows of Resources:			
Pension related amounts	1,442,169	1,355,246	6.4%
OPEB related amounts	121,000	116,000	4.3%
Total deferred outflows of resources	1,563,169	1,471,246	6.2%
Liabilities:			
Accounts payable	2,191,480	2,090,514	4.8%
Due to County of Orange	361,992	317,042	14.2%
Due to other governments	2,345,645	2,392,306	-2.0%
Retentions payable	1,171,243	1,195,485	-2.0%
Accrued wages and benefits	108,874	94,980	14.6%
Non-Current liabilities:			
Due Within One Year			
Compensated absences	102,720	91,669	12.1%
Lease payables	65,707	57,873	13.5%
Due in More than One Year			
Compensated absences	13,760	16,490	-16.6%
Lease payables	434,506	465,651	-6.7%
Net Pension Liability	189,581	0	
Net OPEB Liability	249,000	269,000	-7.4%
Total liabilities	7,234,508	6,991,010	3.5%
Deferred Inflows of Resources:			
Pension related amounts	359,309	689,028	-47.9%
OPEB related amounts	76,000	41,000	85.4%
Total deferred inflows of resources	435,309	730,028	-40.4%
Net Position:			
Net Investment in Capital Assets	(15,948)	(2,095)	661.2%
Unrestricted	72,194,049	66,766,547	8.1%
Total net position	$ 72,178,101	$ 66,764,452	8.1%

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



Assets
As of June 30, 2024
($ in millions)



Assets, Current and Other

- Cash and investments totaled $71.9 million. All $71.9 million was invested in the Orange County Investment Pool (OCIP), with the only exception for a small petty cash fund held at the Commission that was closed this past fiscal year. 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 6.7% due to increased revenues from interest earnings and the timing of program revenues along with a lower baseline of program expenditures. This approach has been intentional to build a fund balance to supplement future-year revenue declines.

- Due from other governments totaled $3.3 million. Of this amount, $2.1 million is Prop 10 tobacco tax revenue due from the State of California for the May and June 2024 allocations as well as California Electronic Cigarette Excise Tax (CECET) revenue for the fiscal year.

- Advances to others totaled $500,000 and represents funds advanced to contractors for services not provided by June 30, 2024. The balance remaining is an advance to expand and improve the quality of developmental screenings countywide. The advances cover future periods up to Fiscal Year 2030.

- Prepaids represents early payments made to the Orange County Employee's Retirement System for employer contributions that will be applied towards contributions after the next measurement date of December 31, 2024.

- Intangible right-to-use assets, net of amortization totaled $484,265 for the Commission's office space lease and copier lease. The increase from the amount reported in the prior year is due to a seven-year lease extension agreed upon during the fiscal year. Note 10 to the Commission financial statements provides further detail on the Commission's leases.

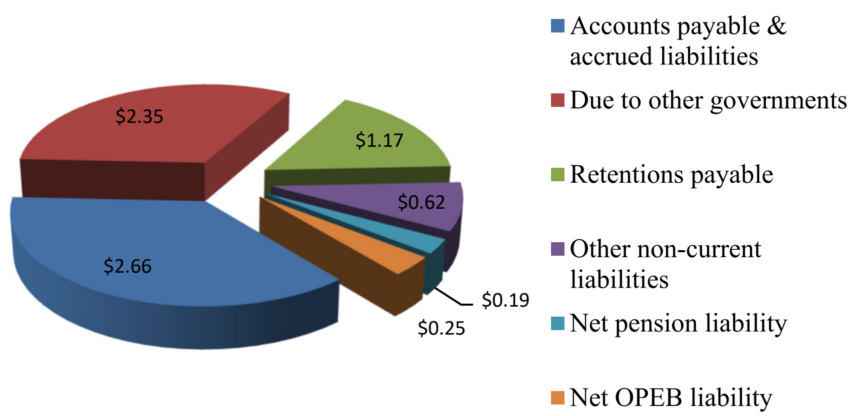
Deferred Outflows of Resources

- 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 $1,442,169 which represents pension related amounts for measurement period ending December 31, 2023. Also included are total deferred outflows related to OPEB of $121,000 as of measurement period ending December 31, 2023.

- Note 8 and 13 to the Commission financial statements provides further detail of all deferred outflows of resources reported in Fiscal Year 2023-2024.

Liabilities
As of June 30, 2024



Liabilities

- Accounts payable and due to other governments total $4.9 million. These payables are for funded program services not yet billed at June 30, 2024 and are based on established contract terms. The current balance represents a decrease from the prior year because several Commission funded programs had smaller budgets compared to the prior year and timelier submittal of invoices from program partners.

- Retentions payable total $1.2 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.

- Other liabilities total $108,874 consisting of accrued wages and benefits.

- Non-current liabilities total $1.1 million consisting of amount due for compensated absences, leases, Pension and OPEB liabilities. The increase from the prior year is due to the seven-year extension of the office lease.

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 $0.4 million is the result of the differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on plan investments, and changes in the Commission's proportionate share occurring over the measurement period ending December 31, 2023.

- Note 8 and 13 to the Commission financial statements provides further detail of all deferred inflows of resources recognized in Fiscal Year 2023-2024.

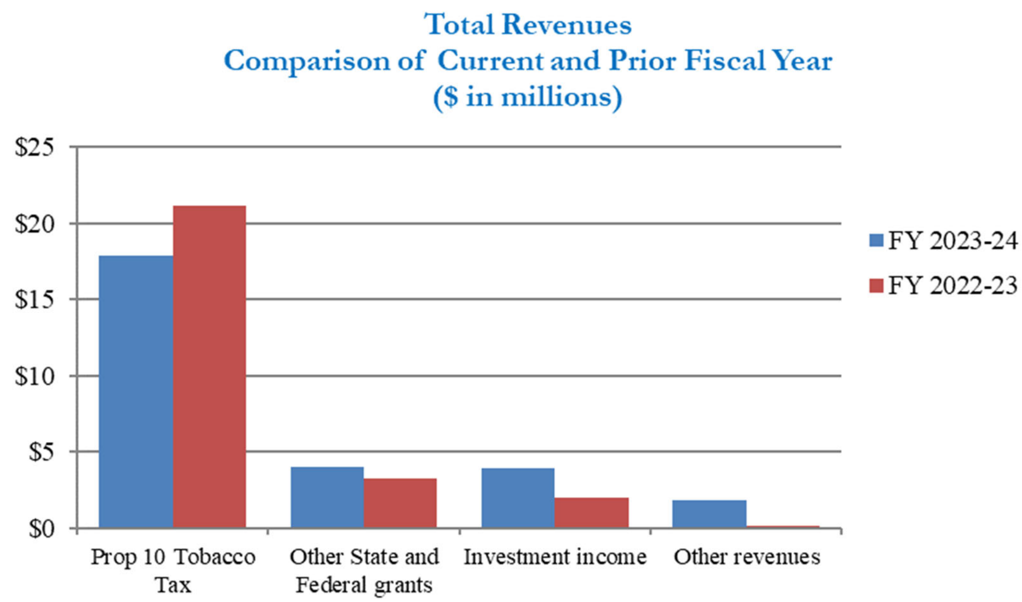
Changes in Net Position

For the year ended June 30, 2024, current year operations increased the Commission's net position by $5.4 million. The increase is due to both the timing of revenues from outside program funding specifically for the new Healthy Steps expansion program, most significantly the increased interest 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, 2024 and June 30, 2023.

	FY 2023-24	FY 2022-23	Percent Increase (Decrease)
Revenues:			
Program Revenues			
Tobacco taxes	$ 17,723,441	$ 21,069,393	-15.9%
Other State and Federal operating grants and contributions	4,056,637	3,281,694	23.6%
Interest income earned on tobacco taxes at the State	121,897	77,855	56.6%
Total program revenues	21,901,976	24,428,943	-10.3%
General Revenues			
Investment income net of decrease in fair value	3,925,635	2,014,113	94.9%
Miscellaneous revenues	1,802,017	180,737	897.0%
Total general revenues	5,727,652	2,194,849	161.0%
Total revenues	27,629,628	26,623,792	3.8%
Expenses:			
0-5 Child development programs	19,933,041	21,921,125	-9.1%
Salaries and benefits	2,282,938	1,867,850	22.2%
Total expenses	22,215,979	23,788,975	-6.6%
Change in net position:	**5,413,649**	**2,834,817**	
Net position – July 1	66,764,452	63,929,635	4.4%
Net position – June 30	$ 72,178,101	$ 66,764,452	8.1%

Total revenues

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



- *Program revenues*
  The Commission's program revenues totaled $21.9 million in Fiscal Year 2024. This represented a decrease of $2.5 million (-10.3%) from Fiscal Year 2022-2023 program revenues. The decrease is due to lower tobacco tax revenue from a decline in statewide tobacco product sales.

  - Tobacco Tax revenue includes revenues from taxes levied on tobacco products by the State of California and distributed amongst all counties based on the percentage of county birthrates as established in Proposition 10. This revenue decreased by $3.3 million from the prior fiscal year. The lower tax revenues are a result of the first full year the statewide ban on the sale flavored tobacco products was in effect. Beginning July 1, 2022, retailers of electronic cigarettes (in-state or out-of-state) are required to collect from the purchaser at the time of sale the California Electronic Cigarette Excise Tax (CECET) at the rate of 12.5 percent (12.50%) of the retail selling price of electronic cigarettes containing or sold with nicotine. A portion of CECET collected was allocated to First 5 CA and county First 5 Commissions. $301,687 of CECET revenue was recognized by the Commission in Fiscal-Year 2023-2024.

  - Other State and Federal operating grants and contributions for Fiscal Year 2023-2024 includes revenue from the state-wide IMPACT and Home Visiting program reimbursements that are variable from year to year and based on actual expenses. Of the total operating grants and contributions, $1.5 million was for the state-wide IMPACT program and $.64 was for the CalWORKS Home Visiting Program.

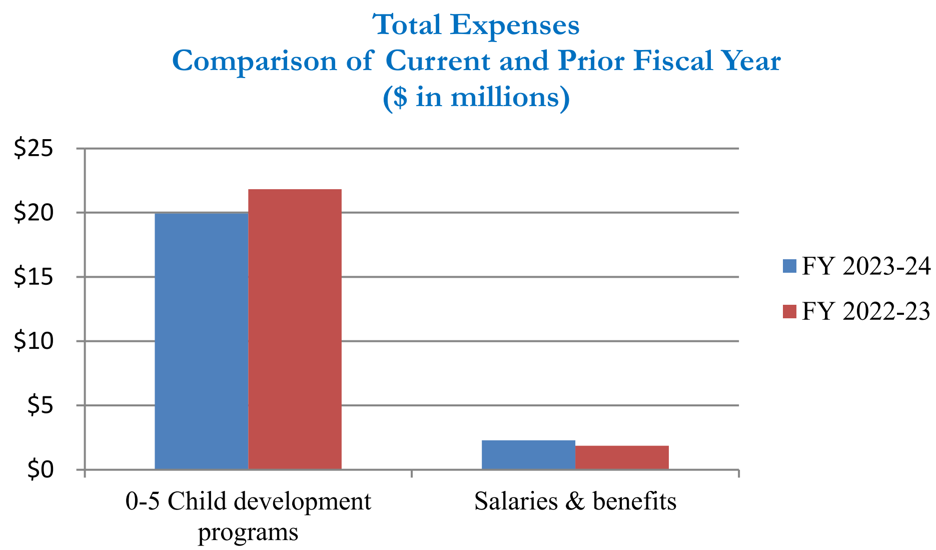
- *General revenues*
  The Commission's general revenues totaled $5.7 million in Fiscal Year 2023-2024. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenue reimbursements.

  - Investment income increased significantly from the prior fiscal year. The increase in investment income from the Orange County Investment Pool (OCIP), which is administered by the County Treasurer, is due to higher investment returns and the reversal of the prior year fair value adjustment. The Commission is required to record changes in the fair value of investments, and the prior year negative fair value adjustment was reported against revenue in the operating statement last year.

- Miscellaneous revenue increased due (897%) due to new revenue through the California State Department of Health Care Services Intergovernmental Transfers Revenue (IGT). The Commission has participated in IGTs in the past to support program partners. This is the first year the revenue was returned directly to the Commission. This amount represents the reimbursement of uncompensated amounts conducted through Medi-Cal managed care plans in the County that are funded by the Commission.

Governmental Activities Expenses

Total expenses decreased by $1.6 million (6.6%) from the prior fiscal year. The decrease is due mostly to the planned step-down of specific funding levels across different program areas to be aligned with the long-term financial plan.



- Zero-to-five child development programs decreased by $2 million (9.1%) 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 planned step-down of specific funding levels across different program areas.

- Salaries and benefits increased by $415,088 (22.2%) from the prior fiscal year due partly to the addition of staff and partly to cost of living increases and salary adjustments provided to staff.

ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND STATEMENTS

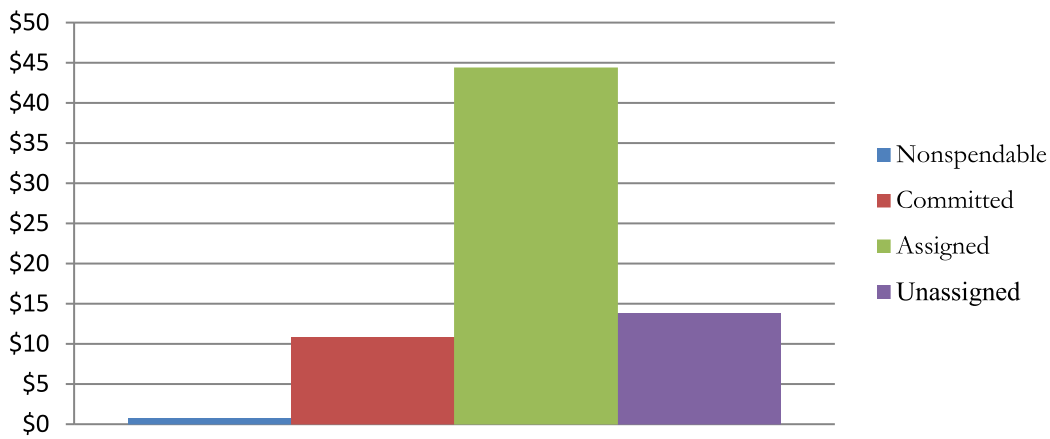
As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 $1.86 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 $69.9 million, an increase of $4.3 million (6.5%) in comparison with the prior fiscal year. The increase is due mostly to increased interest revenue from investment balances along with planned reductions in ongoing programs costs to align with the long-term financial plan

Fund Balance Classifications
As of June 30, 2024
($ in millions)



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.

- No budget amendments occurred during the fiscal year. The initial approved budget was not adjusted and remained as the final budget.

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 2023-2024 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 2023-2024 by $4.2 million. Total revenues were over budget mostly due to larger than expected investment returns on investment balances.

- Total budgeted appropriations exceeded actual expenditures in Fiscal Year 2023-2024 by $3.8 million due to program funds spent under Zero to Five Programs for Home Visitation Services, the timing of distributions of one-time Catalytic funds, and vacant staff positions.

    - 0-5 child development program expenditures were less than budgeted appropriations by $3.7 million. This was due mostly to underspending for the Home Visitation Program and the IMPACT 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 approximately $597,000 due to staff positions that were vacant for portions of the year.

    - Catalytic/Systems Building expenditures were more than budgeted appropriations by approximately $484,000 due to Children's Dental program costs above budget as the program was closed-out. Fiscal Year 2023-2024 was the eleventh year of Round 1 and 2 catalytic funding. The total funding amount of approximately $61.9 million was approved by the Commission as detailed below. Expenditures are recognized as services are provided and deliverables met for each separate Catalytic/Systems Building program. At budget adoption, the timing of Fiscal Year 2023-2024 distributions and expense recognition were not known. Each Catalytic/Systems Building program has a unique scope and budget. Final payment terms are included in the contracts approved by the Commission for each Catalytic/Systems Building program. Remaining funding will be included in future year budgets as defined in the related Catalytic/System Building contract payment and deliverable schedules.

Commission Catalytic/Systems Building 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
Healthy Steps	850,000
Catalytic Unallocated and Matching Funds	4,804,026
	$17,292,500

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

On November 8, 2022, Proposition 31 passed which upheld a statewide ban on the sale of flavored tobacco products. As a result, projections for future tobacco tax revenues will decline below previous estimates. The flavor ban began impacting revenue receipts and projections beginning in Fiscal Year 2022-2023 and Fiscal 2023-2024 was the first full year.

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 will be adjusted to align with updated revenue projections from the California Department of Finance.

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, 2024. 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, 2024

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and investments in County Treasury	$	71,907,994
Interest receivable		1,473,657
Due from County of Orange		469,448
Due from other governments		3,336,577
Prepaids		112,808
Advances to others		500,000
Capital assets - right to use lease assets, net of amortization		484,265
Total Assets		78,284,749
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts		1,442,169
Other postemployment benefits related amounts		121,000
Total Deferred Outflows of Resources		1,563,169
LIABILITIES		
Accounts payable		2,191,480
Due to County of Orange		361,992
Due to other governments		2,345,645
Retentions payable		1,171,243
Accrued wages and benefits		108,874
Non-Current liabilities:		
Due Within One Year		
Compensated absences		102,720
Leases		65,707
Due in More than One Year		
Compensated absences		13,760
Leases		434,506
Net pension liability		189,581
Net OPEB liability		249,000
Total Liabilities		7,234,508
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts		359,309
Other postemployment benefits related amounts		76,000
Total Deferred Inflows of Resources		435,309
NET POSITION		
Net investment in capital assets		(15,948)
Unrestricted		72,194,049
Total Net Position	$	72,178,101

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants And Contributions	Governmental Activities
Governmental Activities:			
Child development	$ 22,215,979	$ 21,901,976	$ (314,003)
General Revenues:			
Investment income			3,925,635
Miscellaneous			1,802,017
Total General Revenues			5,727,652
Change in Net Position			5,413,649
Net Position, July 1			66,764,452
Net Position, June 30			$ 72,178,101

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2024

	General Fund
ASSETS	
Cash and investments in County Treasury	$ 71,907,994
Interest receivable	1,473,657
Due from County of Orange	469,448
Due from other governments	3,336,577
Prepaid items	256,039
Advances to others	500,000
Total Assets	$ 77,943,715
LIABILITIES	
Accounts payable	$ 2,191,480
Due to County of Orange	361,992
Due to other governments	2,345,645
Retentions payable	1,171,243
Accrued wages and benefits	108,874
Total Liabilities	6,179,234
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - unavailable revenue	1,861,115
Total Deferred Inflows of Resources	1,861,115
FUND BALANCES	
Nonspendable fund balance	756,039
Committed fund balance	10,866,289
Assigned fund balance	44,400,860
Unassigned fund balance	13,880,178
Total Fund Balances	69,903,366
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 77,943,715

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, 2024

Fund balances of governmental funds		$ 69,903,366
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Right to use assets	706,823	
Accumulated amortization	(222,558)	484,265
Deferred outflows of resources:		
Pension related amounts		1,298,938
Other postemployment benefits related amounts		121,000
Long term assets/(liabilities) are not included in the governmental funds		
Net pension liability		(189,581)
Compensated employee absences		(116,480)
Lease liability		(500,213)
Net OPEB liability		(249,000)
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.		1,861,115
Deferred inflows of resources:		
Pension related amounts		(359,309)
Other postemployment benefits related amounts		(76,000)
Net Position of governmental activities		$ 72,178,101

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, 2024

	General Fund
Revenues	
Prop 10 Tobacco Tax	$ 16,768,863
Investment income earned on tobacco taxes at the State level	199,753
Other State operating grants and contributions	2,203,660
CalWORKS Home Visiting Program	1,339,880
Medi-Cal Administrative Activities	362,912
Investment income	3,925,635
Other revenue	1,822,826
Total Revenues	26,623,529
Expenditures	
Current	
Salaries and benefits	2,428,495
Expenditures related to the "Zero to Five" Programs	18,626,334
Catalytic Round 1 and 2 Program Funding	1,208,999
Debt Service	
Principal retirement	60,823
Interest	20,937
Capital Outlay	37,513
Total Expenditures	22,383,101
Excess of revenues over expenditures	4,240,428
Other Financing Sources	
Leases	37,513
Net Change in Fund Balance	4,277,941
FUND BALANCE, July 1	65,625,425
FUND BALANCE, June 30	$ 69,903,366

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, 2024

Net changes in fund balance - total governmental funds	$	4,277,941
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:		
Principal retirement expenditures reported in Governmental Funds, net of adjustments, are note reported in the Statement of Activities		58,728
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as amortization expense.		
Capital outlay		37,513
Amortization expense		(74,677)
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		182,878
Other postemployment benefits related amounts		(29,000)
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.		(8,321)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.		1,006,100
The issuance of long-term leases provides current financial resources to governmental funds, but are not reported as revenues in the statement of activities.		
Lease issued		(37,513)
Change in net position of governmental activities	$	5,413,649

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, 2024

	Budgeted Amouts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Prop 10 Tobacco Tax	$ 17,940,000	$ 17,940,000	$ 16,768,863	$ (1,171,137)
Investment income earned on tobacco taxes at the State level	-	-	199,753	199,753
Other State operating grants and contributions	1,855,000	1,855,000	2,203,660	348,660
CalWORKS Home Visiting Program	2,000,000	2,000,000	1,339,880	(660,120)
Medi-Cal Administrative Activities	250,000	250,000	362,912	112,912
Investment income	100,000	100,000	3,925,635	3,825,635
Other revenue	232,700	232,700	1,822,826	1,590,126
Total Revenues	22,377,700	22,377,700	26,623,529	4,245,829
Expenditures				
Current				
Salaries and benefits	3,025,261	3,025,261	2,428,495	596,766
Expenditures related to the "Zero to Five" Program	22,345,487	22,345,487	18,626,334	3,719,153
Catalytic Round 1 and 2 Program Funding	725,000	725,000	1,208,999	(483,999)
Debt Service				
Principal retirement	64,500	64,500	60,823	3,677
Interest	19,500	19,500	20,937	(1,437)
Capital Outlay	-	-	37,513	(37,513)
Total Expenditures	26,179,748	26,179,748	22,383,101	3,796,647
Excess of revenues over expenditures	(3,802,048)	(3,802,048)	4,240,428	8,042,476
Other Financing Sources				
Leases	-	-	37,513	37,513
Net Change in Fund Balance	(3,802,048)	(3,802,048)	4,277,941	8,079,989
FUND BALANCE, July 1	63,362,269	63,362,269	65,625,425	-
FUND BALANCE, June 30	$ 59,560,221	$ 59,560,221	$ 69,903,366	$ 8,079,989

See accompanying notes to the basic financial statements.

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Accounting and Measurement Focus

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

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

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

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

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

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

Government-Wide Financial Statements, (Continued)

Unrestricted – This category represents neither restrictions nor right to use assets and may be used by the Commission for any purpose though they may not be necessarily liquid.

Net Investment in Capital Assets – This category includes the Commission's office lease that is amortized over the life of the lease period.

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 when the underlying exchange occurs or resources are received. On the modified accrual basis of accounting, revenues are recognized when the underlying exchange has occurred and the resources are available. Resources received before the underlying exchange has occurred are reported as deferred revenues.

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.

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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred outflow of resources represents a consumption of net assets that applies to future periods. 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/amortization

Capital assets, including right to use lease 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/amortization in the government-wide financial statements. The one addition to capital assets for the year was a seven-year office lease extension reported in the right-to-use lease assets.

Capital assets are recorded at historical cost. The Commission capitalizes assets with cost in excess of $5,000 for equipment, $10,000 for leases and subscription-based information technology arrangements, and $150,000 for other assets, following the County of Orange schedule of asset definitions, and a useful life greater than one year. The Commission depreciates/amortizes capital assets using a straight-line method over the estimated useful life of each asset. The estimated useful life 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 item 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, 2024 to June 30, 2025. A balance of $256,039 is reported as of June 30, 2024 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, 2024, 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.

Compensated absences

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.

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

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

Leases

The Commission is a lessee for noncancelable lease of office space and equipment. The Commission recognizes a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the Commission initially measured the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses the County of Orange incremental borrowing rate as the discount for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

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, 2023 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.

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

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:

Valuation Date	June 30, 2022
Measurement Date	December 31, 2023
Measurement Period	January 1, 2023 to December 31, 2023

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.

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

Budget and Budget Reporting

The Commission is required by Orange 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, 2024, 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, 2024:

> Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g. prepaid asset, advances to others) or must be maintained intact (e.g. endowment principal).
>
> Restricted - Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation.
>
> Committed - Resources with self-imposed limitations and require both the approval of the highest level of decision-making authority (Board of Commissioners) and the same formal action to remove or modify the limitations. The formal action required by the Board of Commissioners for funds to be committed is action by the way of resolution allocating funding for a specific purpose, program or initiative.
>
> Assigned - Resources with self-imposed limitations but do not require approval by the highest level of decision-making authority (may be a body, committee or individual designated by Board of Commissioners) or the same level of formal action to remove or modify limitations. Includes appropriation of a portion of existing fund balance sufficient to eliminate subsequent year's budget deficit, resources assigned to specific program for which there is an approved budget, and resources approved by the Commission for a long-range financial plan.
>
> Unassigned - Resources that cannot be reported in any other classification.

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

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

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

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 $16.3 million represent Board-approved future year contracts for Catalytic Programs ($5 million) and annual programs and operations ($11.3 million). The Catalytic Program encumbrance is for Developmental Screenings ($5 million). The three largest program encumbrance balances are for the Bridges: Maternal Child Health Network ($2.3 million), First 5 IMPACT ($1.5 million), and Engaged Neighborhoods ($1.1 million). Encumbrances for Catalytic Programs are reported in Committed fund balance and encumbrances for other programs are reported in Assigned fund balance.

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

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." The requirements of this Statement will take effect for Commission financial statements starting with the fiscal year that ends June 30, 2024. The Commission has determined that there was no material impact on the Commission's financial statements.

GASB has issued the following pronouncements prior to June 30, 2024, that have effective dates which may impact future financial statement presentation. The effect of these statements is currently under review by the Commission:

Statement No. 101, "Compensated Absences." The requirements of this Statement will take effect for Commission financial statements starting with the fiscal year that ends June 30, 2025.

Statement No. 102, "Certain Risk Disclosures." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2025.

Statement No. 103, " Financial Reporting Model Improvements." The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments in County Treasury	$ 71,907,994
Total Cash and Investments	$ 71,907,994

Cash and investments consisted of the following at June 30, 2024:

Orange County Investment Pool:	
Equity in pooled Money Market fund	$ 71,907,994
Total Cash and Investments	$ 71,907,994

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
- "AAAm" 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, 2024, 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.

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, 2024, 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, 2024 of $71,907,994 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 and California Electronic Cigarette Excise Tax (CECET) related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2024, were as follows:

Due from State Commission:	
Prop 10 / CECET revenue for:	
May 2024	$979,012
June 2024	977,565
CECET Q3	70,869
CECET Q4	71,013
Surplus Money Investment Fund Allocations	121,897
First 5 IMPACT Program	852,333
First 5 Home Visiting Coordination	263,888
Total Due from Other Governments	$3,336,577

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, 2024, were as follows:

FY 2023-2024 Contract Payment Accruals	$2,345,645

NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2024 are as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Due Within One Year
Leases	$ 523,524	$ 37,513	$ 60,824	$ 500,213	$ 65,707
Compensated absences	108,159	208,482	200,161	116,480	102,720
Total	$ 631,683	$ 245,995	$ 260,985	$ 616,693	$ 168,427

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, 2024 consists of the following:

Nonspendable:	
Prepaids and Advances	$756,039
Committed for:	
Catalytic Round 1 and 2 programs	10,866,289
Assigned for:	
Approved contracts	44,400,860
Unassigned	13,880,178
Total fund balance	$69,903,366

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for Fiscal Year 2024-2025 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, 2024.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2024 for Fiscal Years 2024-2025 and future years of one-time Catalytic/Systems Building funding.

Assigned for approved contracts – consists of Fiscal Year 2024-2025 programs that were approved by Commission action and included in the Fiscal Year 2024-2025 Operating Budget.

NOTE 7 – CONTINGENCIES

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. All full-time employees of the Commission participate in the Orange County Employees Retirement System (OCERS). OCERS was established by the County of Orange in 1945. OCERS is administered by the Board of Retirement and governed by the County Employee's Retirement Law of 1937 California Government Code Section 31450 et. seq.). OCERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by the County of Orange. OCERS also provides retirement benefits to the employee members of the Orange County Courts, the Orange County Retirement System, two cities and thirteen 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 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 members can also retire at the age of 70 regardless of service.

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

Contributions. The Commission contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate for the first six months of calendar year 2023 or the second half of fiscal year 2022-2023 (based on the December 31, 2020 valuation) was 41.16% of compensation. The average employer contribution rate for the last six months of calendar year 2023 or the first half of fiscal year 2023-2024 (based on the December 31, 2021 valuation) was 37.82% of compensation. Contributions recognized by the plan for the fiscal year ended June 30, 3024, were $212,669.

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 2023 or the second half of fiscal year 2022-2023 (based on the December 31, 2020 valuation) was 12.16% of compensation. The average member contribution rate for the last six months of calendar year 2023 or the first half of fiscal year 2023-2024 (based on the December 31, 2021 valuation) was 12.08% of compensation.

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

At June 30, 2024, the Commission reported a net pension liability of $189,581 for its proportionate share of the net pension liability (NPL)/(asset). The NPL/(asset) was measured as of December 31, 2023. 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, 2022. At December 31, 2023, the Commission's proportion was 0.004% percent allocated based on the actual employer contributions within the Commission's rate group. This represents an increase from -0.001%, from the proportionate share measured as of December 31, 2022.

For the year ended June 30, 2024, the Commission recognized pension expense of $58,216. As of June 30, 2024, 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	$12,528	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,267,036	$358,869
Changes of assumptions or other inputs	9,893	
Difference between expected and actual experience	9,481	440
Commission contributions subsequent to the measurement date	143,231	
Total	$1,442,169	$359,309

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 $143,231 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:		
2025		127,202
2026		290,123
2027		319,508
2028		176,962
2029		25,834
	$	939,629

Actuarial assumptions. For the measurement period ended December 31, 2023 (the measurement date), total pension liability (TPL) was determined by rolling forward the December 31, 2022 (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%, 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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with December 31, 2023, including only investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, are shown in the following tables. For December 31, 2022 these rates are before deducting investment management expenses while for December 31, 2023 they are after deducting applicable investment management expenses. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations as of December 31, 2023 and December 31, 2022. This information will be subject to change every three years based on the results of an actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%
Total	100.00%	6.55%

Discount rate. The discount rate used to measure the TPL was 7.00% as of December 31, 2023 and 2022. 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, 2023 and 2022.

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)	1,254,795	$189,581	($681,203)

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 – CAPITAL ASSETS

Increases and decreases in the Commission's capital assets for governmental activities during the fiscal year were as follows:

	July 1, 2023	Increases	Decreases	Adjustments	June 30, 2024
Governmental Activities:					
Right-to-Use Assets					
Leased Office Space	$ 669,310	$ --	$ --	$ --	$ 669,310
Leased Storage Space	--	37,513	--	--	37,513
Total Right-to-Use Assets	669,310	37,513	--	--	706,823
Less Accumulated Amortization For:					
Leased Office Space	(147,881)	(71,104)	--	--	(218,985)
Leased Storage Space	--	(3,573)	--	--	(3,573)
Total Accumulated Amortization	(147,881)	(74,677)	--	--	(222,558)
Total Capital Assets, Amortizable (Net)	$ 521,429	$(37,164)	$ --	$ --	$ 484,265

NOTE 10 – LEASES

Office Lease

The Commission leases office space under an agreement that terminates October 2030. Under the terms of the lease, the Commission pays a monthly base fee based on a pre-determined schedule. A security deposit of $7,400 is currently held by the lessor. The lease was valued using a discount rate of 4% (County incremental borrowing rate).

Lease Year	Monthly Base Rate	Lease Year	Monthly Base Rate
11/01/22 – 10/31/23	$6,480.00	11/01/26 – 10/31/27	$6,860.70
11/01/23 – 10/31/24	$6,480.00	11/01/27 – 10/31/28	$7,072.45
11/01/24 – 10/31/25	$6,606.60	10/01/28 – 10/31/29	$7,284.20
11/01/25 – 10/31/26	$6,733.65	10/01/29 – 10/31/30	$7,411.25

At June 30, 2024, the Commission has recognized a right-to-use asset of $450,325 and a lease liability of $465,651 related to this agreement. During the fiscal year, the Commission recorded $71,104 in amortization expense. The payments for the lease included $57,872 in principal payments and $19,888 in interest for the right to use the office space.

NOTE 10 – LEASES (Continued)

Remaining obligations associated with this lease are as follows:

Fiscal Year Ended June 30		Principal	Interest
	2025	61,255	17,518
	2026	65,302	14,994
	2027	69,515	12,305
	2028	74,585	9,437
	2029	80,212	6,351
	2030 - 2031	114,782	3,289
	Total	$465,651	$63,894

Storage Space Lease

The Commission approved an agreement to lease storage space for a seven years lease term. The lease terminates October 2030. Under the terms of the lease, the Commission pays a monthly base fee based on a pre-determined schedule. A security deposit of $1,000 is currently held by the lessor. The lease was valued using a discount rate of 5% (County incremental borrowing rate at the time of lease execution).

Lease Year	Monthly Base Rate	Lease Year	Monthly Base Rate
11/01/23 – 10/31/24	$500.00	11/01/27 – 10/30/28	$540.00
11/01/24 – 10/31/25	$510.00	11/01/28 – 10/31/29	$550.00
11/01/25 – 10/31/26	$520.00	11/01/29 – 10/31/30	$560.00
11/01/26 – 10/31/27	$530.00		

At June 30, 2024, the Commission has recognized a right-to-use asset of $33,940 and a lease liability of $34,562 related to this agreement. During the fiscal year, the Commission recorded $3,573 in amortization expense. The payments for the lease included $2,951 in principal payments and $1,049 in interest for the right to use the storage space.

Remaining obligations associated with this lease are as follows:

Fiscal Year Ended June 30		Principal	Interest
	2025	$4,452	$1,628
	2026	4,803	1,397
	2027	5,171	1,149
	2028	5,559	881
	2029	5,966	594
	2030 - 2031	8,611	309
	Total	$34,562	$5,958

NOTE 11 – 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, 2024 was $28,483. The Commission incurred expenses totaling $243,523 for all other County services provided during the year ended June 30, 2024. The amount owed to the County for program services funded through the Health Care Agency at June 30, 2024 was $361,992. Amounts owed to the Commission from the County of Orange are $469,448.

The Commission paid $511,362 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 $1,393,848 in expenses paid to the County for program services delivered by the Health Care Agency and Social Services Agency.

NOTE 12 – 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, 2024, the Commission expended $570,211 for program evaluation.

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN

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 2023-2024 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, 1770 N Broadway, Santa Ana, California 92706.

On December 20, 2022, the Board approved restructuring of the Retiree Medical Plan for labor groups including First 5 Orange County. The restructuring effective June 16, 2023, eliminates the grant for new employees, freezes the grant for existing employees, and transitions new and existing employees to the County Health Reimbursement Arrangement (HRA) Plan with the option for existing employees as of June 15, 2023, to place the value of their grant in the County HRA Plan in lieu of receiving the grant at retirement.

Eligibility. An employee who is credited with at least ten years of service at the time the employee becomes a retiree and elected to remain in the grant program is eligible to receive a grant in accordance with the County of Orange Retiree Medical Plan. This election was approved by the County Board of Supervisor's on December 20, 2022. 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

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN (continued)

allowance commences. In order to be eligible to receive the grant, a participant must be covered under a Qualified Health Plan and/or Medicare. Coverage in a Qualified Health Plan must be elected within 30 days of the commencement of retirement allowance from OCERS. A covered retiree or surviving dependent who is age 65 or older must be enrolled in Medicare Part A (if eligible for coverage without a premium) and Part B in order to be eligible for the grant. A Qualified Health Plan is defined as a health insurance plan made available to employees and/or retirees, including a County Health Plan or a plan administered by an Employee Organization that the County of Orange has agreed shall be a Qualified Health Plan. A lump sum payment is available under limited circumstances as defined in the plan for an employee whose employment terminates prior to becoming eligible for a grant.

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 actuarially determined contributions include the Blended Rates benefit. Starting fiscal year 2020-2021 each plan participant contributes towards the grant and lump sum benefits only. 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, 2024, the Commission's cash contributions withheld by the County of Orange were $8,028. The allocation of employer contributions based on proportionate shares as reported in the actuarial valuation were $19,000.

At June 30, 2024, the Commission reported a liability of $249,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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, 2023, the Commission's proportion was 0.108 percent, a change of .018 percent from the prior measurement date.

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN (continued)

For the fiscal year ended June 30, 2024, the Commission recognized OPEB expense of $29,000. For the fiscal year ended June 30, 2024, the Commission reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$69,000
Change of assumptions	$16,000	7,000
Net difference between projected and actual earnings on plan investments	8,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	97,000	
Total	$121,000	$76,000

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Year ended June 30:		
2025	$	4,000
2026		7,000
2027		20,000
2028		3,000
2029		6,000
2030+		5,000
	$	45,000

Actuarial Assumptions: The total OPEB liability in the June 30, 2023 valuation date was determined using the following significant actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2023
Contribution Policy	County contributes the ADC for the Grant and lump sum benefits and pays the blended rates benefit on a pay-as-you-go basis
Discount Rate and Long-Term Expected Rate of Return on Assets	7.00% at December 31, 2023 7.00% at December 31, 2022 Expected contributions projected to keep sufficient plan assets to pay all benefits from trust
Crossover Test Assumptions	Assumes County contributes the ADC to the trust for cash benefits only (Grant and Lump Sum) and pays the blended rate benefit outside the trust Administrative expenses equal 0.01% of assets No crossover
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	OCERS 2017-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Society of Actuaries Scale MP-2019
Salary Increases	Aggregate – 3.00% annually Merit – OCERS 2017-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Society of Actuaries Scale MP-2019

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN (continued)

Medical Trend	Non-Medicare - 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
Grant Increases	AFSCME - lesser of 5% and Medical Trend Non-AFSCME - 0% or lesser of 3% and Medical Trend, depending on employee group
Spouse Participation at Retirement	New retirees in County medical plans – 35% New retirees in AOCDS medical plans – 65%
Grant Participation for Future Retirees	50% to 100% Based on employee group, Grant service at retirement, and actual round 1 and 2 elections for applicable General groups
Changes of assumptions	Updated medical trend Updated Medicare Part B trend
Changes of benefit terms	None

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bonds	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%
Total Portfolio	100.00%	

-Assumed Long-Term Rate of Inflation – 2.50%
-Expected Long-Term Net Rate of Return – 7.00%

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - RETIREE MEDICAL PLAN (continued)

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	$314,000	$249,000	$193,000

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	$232,000	$249,000	$270,000

NOTE 14 – FIRST 5 CALIFORNIA IMPACT PROGRAM AND REGIONAL HUB

First 5 California funded a statewide program to implement the California Quality Rating and Improvement System (QRIS). The QRIS is a systemic approach to asses, improve, and communicate the level of quality in early education programs. The Commission received First 5 IMPACT Legacy funds through a regional coordinator, First 5 Riverside. Funding for Orange County IMPACT Legacy is $1,958,054 for a two-year period that began July 1, 2023. Funds claimed for the period ending June 30, 2024 totaled $856,166, and all IMPACT funds require partner match of First 5 CA funding which are contractually $1,175,837 for the two-year contract.

First 5 California also provided funding for the Home Visiting Coordination program that Orange County serves as the regional coordinator. While First 5 Orange County has been the primary funder of home visiting in the county, this funding continues the work towards 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 Prenatal-to-Three system, and develop a shared vision among key stakeholders in Orange County. Funding for Home Visiting Coordination is $1,748,005 for a two-year period that began July 1, 2023. Funds claimed for the period ending June 30, 2024 totaled $636,093.

NOTE 15 – ADVANCES TO OTHERS

Advances to others as of June 30, 2024 were $500,000. 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 Child Development, Early Learning, and Homeless Prevention. In February 2012, the Commission approved funding of $5,500,000 to Pretend City Children's Museum for a permanent and expanded Healthy Child Development platform. Of the total $5,500,000 approved, $500,000 has been advanced to Pretend City. The advanced funds are expensed as services are provided.

NOTE 16 - EXPLANATION OF BUDGET VARIANCE

The budget line for Catalytic Round 1 and 2 Program Funding exceeded the original budget allocation by $483,999 (67%) for the fiscal year. All Catalytic projects are approved as a one-time allocation by the Commission typically spreading over multiple years, and at budget adoption, the timing of each fiscal year distributions and expenses are not known. Each Catalytic program has a unique scope and budget. The overspending compared to the budget is due specifically to the closing-out of the Children's Dental program. Unallocated funds in the agency budget for "Zero to Five" Programs were used to comply with the Commission policy of budgeted expenditures not exceeding revenues and available fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
LAST 10 YEARS

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Proportion of the net pension liability/(asset)	0.078%	0.071%	0.061%	0.019%	0.010%	(0.013%)	(0.015%)	(0.040%)	(0.000%)	0.004%
Proportionate share of the net pension liability/(asset)	$3,957,426	$4,066,522	$3,158,290	$962,203	$630,611	($646,472)	($612,417)	($811,951)	($21,846)	$189,581
Covered payroll	$1,043,030	$1,042,786	$925,031	$849,266	$966,061	$1,061,044	$1,167,468	$1,304,766	$1,209,958	$1,659,517
Proportionate share of the net pension liability/(asset) as a percentage of covered payroll	379.42%	389.97%	341.43%	113.30%	65.28%	(60.93%)	(52.46%)	(62.23%)	(1.18%)	11.42%
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%	91.45%	78.51%	81.81%
Measurement date	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023

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	6/30/2022	6/30/2023	6/30/2024
Contractually required contribution (actuarially determined)	$319,651	$333,800	$245,077	$266,614	$90,445	$117,300	$152,265	$167,768	$200,172	$212,669
Contributions in relation to the actuarially determined contributions	(319,651)	(333,800)	(245,077)	(266,614)	(90,445)	(117,300)	(152,265)	(167,768)	(200,172)	(212,669)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	$1,005,475	$1,001,202	$821,497	$864,802	$1,050,566	$1,208,381	$1,221,222	$1,203,464	$1,638,314	$1,710,230
Contributions as a percentage of covered payroll	31.79%	33.34%	29.83%	30.83%	8.61%	9.71%	12.47%	13.94%	12.22%	12.44%

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

	2018	2019	2020	2021	2022	2023	2024
Commission's proportion of the net OPEB liability	$276,000	$290,000	$245,000	$271,000	$231,000	$269,000	$249,000
Commission's proportionate share of the net OPEB liability	0.0689%	0.0698%	0.0688%	0.081%	0.090%	0.090%	0.108%
Commission's covered payroll	$819,000	$930,000	$975,000	$1,088,000	$1,292,000	$1,195,000	$1,630,000
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll	33.70%	31.18%	25.13%	24.91%	17.88%	22.51%	15.28%
Plan fiduciary net position as a percentage of the total OPEB liability	42.30%	42.56%	51.02%	55.38%	65.43%	56.74%	65.74%
Measurement Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023

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

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

Fiscal Year Ended June 30	2018*	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution (ADC)	$34,000	$39,000	$41,000	$38,000	$42,000	$49,000	$44,000**
Contribution in relation to the ADC	(34,000)	(39,000)	(41,000)	(38,000)	(42,000)	(49,000)	(19,000)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,000
Covered payroll	$877,000	$975,000	$1,091,000	$1,154,000	$1,189,000	$1,490,000	$1,692,000
Contributions as a percentage of covered payroll	3.90%	4.00%	3.76%	3.29%	3.53%	3.29%	1.12%

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

** Total 2023-2024 ADC from the June 30, 2023 OPEB valuation, including Grant, Lump Sum, and Blended Rates benefits. Allocated based on proportionate shares for this illustration.

SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SUPPLEMENTARY INFORMATION
SCHEDULE OF FIRST 5 CALIFORNIA FUNDING
YEAR ENDED JUNE 30, 2024

First 5 California Funding

Program Title	Funding Source	Beginning Program Balance (As of July 1)	Revenue* F5CA Funds	Expenditures	Ending Program Balance (As of June 30)
IMPACT Legacy**	F5CA Program Funds	$1,958,054	$856,166	$856,166	$1,101,888
	County, Local Funds			$979,165	
Home Visiting Coordination***	F5CA Program Funds	$1,748,005	$636,093	$636,093	$1,111,912

First 5 California is adjusting its funding agreements to reduce its administrative burden, which has resulted in a regional model. Regional Hubs were established led by First 5 California and others. Orange County is in Region Nine with Riverside, San Bernardino, and Imperial counties.

* For the purpose of this schedule, the revenue and expenditures reported, in amount of $856,166 for IMPACT and $636,093 for Home Visiting Coordination represents the amount claimed by the Commission. For governmental fund or modified accrual financial reporting purposes, a total of $791,316 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.

** IMPACT Legacy is run through Riverside County as the regional hub. All program revenues and expenditures are processed through First 5 Riverside.

*** Orange County serves as the regional hub for Home Visiting Coordination. All regional revenue and expenditures are processed through the Commission.

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.

STATISTICAL

Sources: Unless otherwise noted, the information in these schedules is derived from the ACFR 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.

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			
	2024	2023	2022*	2021
Net investment in capital assets	$ (15,948)	$ (2,095)	$ (2,108)	$ -
Unrestricted	72,194,049	66,766,547	63,931,743	57,224,411
Total net position	$ 72,178,101	$ 66,764,452	$ 63,929,635	$ 57,224,411

* First year of implementation for GASB No. 87
** 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

2020	2019	2018**	2017	2016	2015***
$ -	$ -	$ -	$ -	$ -	$ -
47,128,853	40,695,150	37,446,530	44,034,865	51,621,511	54,471,707
$ 47,128,853	$ 40,695,150	$ 37,446,530	$ 44,034,865	$ 51,621,511	$ 54,471,707

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

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2024	2023	2022	2021
Expenses:				
Governmental activities:				
Salaries and benefits	$ 2,282,938	$ 1,867,850	$ 1,074,187	$ 1,105,824
Child development	19,933,041	21,921,125	19,218,830	24,581,349
Total expenses	$ 22,215,979	$ 23,788,975	$ 20,293,017	$ 25,687,173
Revenues:				
Governmental activities:				
Operating grants and contributions				
Prop 10 Tobacco taxes	$ 17,723,441	$ 21,069,393	$ 24,080,410	$ 25,496,594
First 5 CARES Plus				
First 5 Child Signature Program				
First 5 IMPACT and Hubs, DDL, HV	1,493,220	1,457,485	1,347,166	1,407,032
CalWORKS Home Visiting	1,339,880	1,474,084	1,643,966	2,277,595
Other State operating grants and Federal operating grants	1,223,538	350,126	531,566	379,171
Investment income earned on tobacco taxes at the State Level (SMIF)	121,897	77,855	11,467	15,412
General revenues				
Investment income, net of fair value	3,925,635	2,014,113	(787,916)	131,764
Miscellaneous revenue	1,802,017	180,736	171,583	6,075,163
Total revenues	$ 27,629,628	$ 26,623,792	$ 26,998,241	$ 35,782,731
Change in Net Position	$ 5,413,649	$ 2,834,817	$ 6,705,224	$ 10,095,558

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

Fiscal Year					
2020	2019	2018	2017	2016	2015
$ 854,804	$ 961,012	$ 1,149,377	$ 1,215,649	$ 1,727,197	$ 1,689,772
29,826,480	26,092,909	32,076,788	33,178,190	30,870,890	34,608,366
$ 30,681,284	$ 27,053,921	$ 33,226,165	$ 34,393,839	$ 32,598,087	$ 36,298,138
$ 24,991,179	$ 23,573,280	$ 21,867,232	$ 24,790,836	$ 25,879,036	$ 25,943,624
				246,281	575,300
				2,042,528	3,350,818
4,124,541	2,120,578	2,745,724	976,964		
6,599,710	3,009,855	1,628,595	445,121	696,686	260,297
86,655	64,514	31,875	20,192	12,315	8,082
1,021,339	1,188,495	431,764	343,403	441,810	206,029
302,616	345,819	191,640	230,677	429,235	151,086
$ 37,126,040	$ 30,302,541	$ 26,896,830	$ 26,807,193	$ 29,747,891	$ 30,495,236
$ 6,444,756	$ 3,248,620	$ (6,329,335)	$ (7,586,646)	$ (2,850,196)	$ (5,802,902)

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			
	2024	2023	2022	2021
FUND BALANCES				
Nonspendable fund balance	$ 756,039	$ 776,423	$ 2,329,229	$ 2,385,722
Committed fund balance	10,866,289	12,023,100	18,239,879	15,241,303
Assigned fund balance	44,400,860	25,454,748	23,016,569	37,229,072
Unassigned fund balance	13,880,178	27,371,154	19,776,592	2,182,135
Total fund balances	$ 69,903,366	$ 65,625,425	$ 63,362,269	$ 57,038,232

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

Fiscal Year

2020	2019	2018	2017	2016	2015
$ 3,958,321	$ 3,889,032	$ 4,542,478	$ 5,566,849	$ 7,277,958	$ 9,340,291
13,237,942	14,472,082	18,596,717	21,769,602	26,486,583	30,112,816
26,129,406	18,932,072	14,001,862	19,957,923	20,866,371	15,589,112
$ 43,325,669	$ 37,293,186	$ 37,141,057	$ 47,294,374	$ 54,630,912	$ 55,042,219

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			
	2024	2023	2022*	2021
Revenues:				
Prop 10 Tobacco taxes	$ 16,768,863	$ 20,975,393	$ 24,080,410	$ 25,496,594
First 5 CARES Plus				
First 5 Child Signature Program				
Other State operating grants and contributions	2,203,660	1,366,384	1,615,672	4,713,034
CalWORKS Home Visiting	1,339,880	1,474,084	1,643,966	2,277,595
Investment income earned on tobacco taxes at the State Level (SMIF)	199,753		11,467	15,412
Medi-Cal Administrative Activities	362,912	350,126	531,566	379,171
Investment income	3,925,635	2,014,113	324,488	131,764
Net decrease in fair value of investments			(1,112,404)	
Other revenue	1,822,826	177,342	171,597	7,007,478
Total revenues	26,623,529	26,357,442	27,266,762	40,021,048
Expenditures:				
Current				
Salaries and benefits	2,428,495	2,173,148	1,726,003	1,724,112
Expenditures related to "Zero to Five" Program	18,626,334	18,359,405	18,146,011	22,943,993
Catalytic Round 1 and 2 Program Funding	1,208,999	3,482,136	992,258	1,640,380
Debt Service				
Principal Retirement	60,823	75,972	74,572	
Interest	20,937	3,625	3,881	
Capital Outlay	37,513	496,181		
Total expenditures	22,383,101	24,590,467	20,942,725	26,308,485
Excess (deficiency) or revenues over (under) expenditures	4,240,428	1,766,975	6,324,037	13,712,563
Other Financing Sources:				
Leases	37,513	496,181		
Total changes in fund balance	$ 4,277,941	$ 2,263,156	$ 6,324,037	$ 13,712,563
Debt Service as a Percentage of Noncapital Expenditures:	0.37%	0.33%	0.37%	

* First year of implementation for GASB No. 87

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

Fiscal Year					
2020	2019	2018	2017	2016	2015
$ 28,541,094	$ 20,023,365	$ 21,867,232	$ 24,790,836	$ 25,879,036	$ 25,943,624
				320,200	272,815
				4,451,854	2,666,529
1,238,020	2,755,797	977,176	1,419,176		
151,169		31,875	20,192	12,315	8,082
193,505	674,988	519,989	445,121	696,686	420,247
1,021,339	1,188,495	431,764	343,403	441,810	206,029
6,259,051	3,031,938	1,300,246	230,677	429,236	151,086
37,404,178	27,674,583	25,128,282	27,249,405	32,231,137	29,668,412
1,545,217	1,429,545	3,204,810	1,407,753	1,771,554	1,736,171
26,470,166	21,571,504	26,410,285	26,146,461	24,621,958	28,193,233
3,356,314	4,521,405	5,666,504	7,031,729	6,248,932	6,415,133
31,371,697	27,522,454	35,281,599	34,585,943	32,642,444	36,344,537
6,032,481	152,129	(10,153,317)	(7,336,538)	(411,307)	(6,676,125)
$ 6,032,481	$ 152,129	$ (10,153,317)	$ (7,336,538)	$ (411,307)	$ (6,676,125)

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

FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY

Actual Tobacco Tax Revenues Received (1)	Orange County	State Total
2009/2010	$29,706,126	$381,995,574
2010/2011	$28,809,921	$374,284,018
2011/2012	$28,988,350	$377,690,133
2012/2013	$27,024,505	$360,434,399
2013/2014	$26,395,725	$347,802,124
2014/2015	$25,943,624	$342,274,305
2015/2016	$25,879,036	$341,825,349
2016/2017	$24,790,836	$322,951,561
2017/2018	$21,867,232	$285,852,695
2018/2019	$23,573,280	$302,205,278
2019/2020	$24,991,179	$315,315,235
2020/2021	$25,496,594	$324,935,472
2021/2022	$24,080,410	$308,031,131
2022/2023	$20,975,393	$269,574,902
2023/2024	$17,879,672	$245,387,804

Projected Tobacco Tax Revenues*

2024/2025	$17,997,039	$239,862,083
2025/2026	$16,732,276	$232,873,283
2026/2027	$16,232,869	$226,090,083
2027/2028	$15,768,921	$219,752,483
2028/2029	$15,343,167	$213,842,083

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

* Source: First 5 California County Tax Revenue Projections for 2024/25 (Updated 9/23/2024 utilizing DOF May Revise 2024 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 2000-2050)

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

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

FY 1959-60 TO 2022-23

	Cigarette tax				Other tobacco products surtax		
Fiscal year	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)	CECET
2022-23	1,332,671,515	3,958,661	1,336,630,176	1,796,055	267,493,586	61.74%	49,219,000
2021-22	1,552,563,789	4,611,767	1,557,175,556	847,881	288,996,313	63.49%	
2020-21	1,700,943,000	5,053,000	1,705,996,000	335,000	266,694,000	56.93%	
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	95,330,000	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			

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

1981-82	278,667,000	2,383,000	281,050,000	1,843,000			
1980-81	280,087,000	2,395,000	282,482,000	1,567,000			
1979-80	272,119,000	2,327,000	274,446,000	1,645,000			
1978-79	270,658,000	2,315,000	272,973,000	1,408,000			
1977-78	275,042,000	2,352,000	277,394,000	1,239,000			
1976-77	270,502,000	2,315,000	272,817,000	832,000			
1975-76	269,852,000	2,309,000	272,161,000	927,000			
1974-75	264,182,000	2,262,000	266,444,000	745,000			
1973-74	259,738,000	2,222,000	261,960,000	632,000			
1972-73	253,089,000	2,167,000	255,256,000	626,000			
1971-72	248,398,000	2,127,000	250,525,000	677,000			
1970-71	240,372,000	2,058,000	242,430,000	552,000			
1969-70	237,220,000	2,032,000	239,253,000	455,000			
1968-69	238,836,000	2,046,000	240,882,000	492,000			
1967-68	208,125,000	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 2022-23

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.

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 2022-23

Fiscal year	Reported distributions (Millions of packages)			Apparent per capita consumption (a.) (In packages)
	Total	Tax paid	Tax exempt	
1	2	3	4	5
2022-23	472	466	6	12.1
2021-22	549	549	7	14.0
2020-21	601	594	7	15.2
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: CDTFA Open Data Portal: Table 30B - Cigarette Distributions and Per Capita Consumption,1959-60 to 2021-22

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
DEBT CAPACITY
SCHEDULE 8

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Lease Liability[1]	Total Outstanding	Percentage of Personal Income[2]	Population[3]	Debt per Capita[4]
2022	$103,314	$103,314	**	**	**
2023	$523,524	$523,524	**	**	**
2024	$500,213	$500,213	**	**	**

* Fiscal Year 2022 was the first year of Right of use Lease debt (The only debt for the Commission); therefore, not all ten years of debt is shown.
** Data is unavailable

Sources:
1. Lease Liability for Commission office space and equipment
2. Personal Incomes are not included in the Commission's report but are taken from the County of Orange Demographic and Economic Statistics table
3. California Department of Finance, Demographic Research Unit, most current information available is 2021
4. Debt per Capital is Total Outstanding Debt divided by Population

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
DEMOGRAPHIC DATA
SCHEDULE 9

ORANGE COUNTY DEMOGRAPHIC DATA

Calendar Year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Population	3,142,277	3,154,042	3,164,848	3,188,652	3,195,197	3,195,455	3,188,779	3,169,925	3,154,363	3,132,650
White	1,230,533	1,233,235	1,232,835	1,234,143	1,332,715	1,337,681	1,343,625	1,344,555	1,346,706	1,346,692
Black	52,335	52,117	51,623	51,246	48,709	48,461	48,291	47,967	47,666	47,378
American Indian or Alaska Native	5,767	5,714	5,623	5,544	6,814	6,803	6,757	6,694	6,646	6,616
Asian	733,549	728,471	722,827	721,544	582,038	582,939	578,861	572,878	568,260	562,210
Native Hawaiian or Pacific Islander	8,615	8,502	8,334	8,131	9,214	9,229	9,179	9,118	9,062	8,976
Multiracial	127,552	125,460	123,061	120,860	83,019	81,798	80,332	78,567	76,945	75,229
Hispanic (any race)	983,926	1,000,543	1,020,545	1,047,184	1,132,688	1,128,544	1,121,734	1,110,146	1,099,078	1,085,549
Female	1,608,389	1,614,993	1,619,798	1,630,762	1,603,925	1,604,432	1,601,624	1,592,776	1,586,166	1,576,358
Male	1,533,888	1,539,049	1,545,050	1,557,890	1,591,272	1,591,023	1,587,155	1,577,149	1,568,197	1,556,292
Under 5 years	160,339	167,522	175,010	184,084	186,052	189,077	190,548	190,418	191,761	190,781
5-9 years	187,174	188,507	189,787	191,836	194,249	195,181	197,550	199,511	200,327	201,722
10-14 years	191,640	196,080	201,528	206,067	205,066	207,164	207,123	206,040	206,963	207,959
15-19 years	230,934	228,802	220,782	212,350	223,102	224,592	225,606	229,594	231,068	232,205
20-24 years	193,194	187,528	191,709	202,113	234,883	238,125	242,422	241,899	237,404	232,533
25-34 years	415,741	433,711	445,220	456,111	385,438	388,463	390,626	393,549	399,655	405,611
35-44 years	416,317	415,840	415,849	416,715	408,397	409,018	408,554	409,183	413,829	420,177
45-54 years	412,068	420,186	425,762	433,805	449,860	457,322	462,522	462,357	461,678	458,394
55-59 years	210,564	211,499	213,646	215,597	219,708	218,745	217,212	214,016	209,792	203,586
60-64 years	202,200	199,236	196,162	192,804	192,323	188,312	182,801	176,306	169,450	163,416
65-74 years	297,547	289,643	283,589	275,705	281,321	273,042	264,872	254,836	245,537	234,506
75-84 years	166,899	158,283	148,928	143,652	150,379	144,546	138,024	132,651	129,015	125,221
85+	57,660	57,205	56,876	57,813	64,419	61,868	60,919	59,565	57,884	56,539

Sources: California Department of Finance. Demographic Research Unit. Report P-2A, P-2B, P-2C, P-2D: Population Projections, California Counties, 2020-2070 (Baseline 2023 Population Projections; Vintage 2024 Release). Sacramento: California. September

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
LIVE BIRTHS
SCHEDULE 10

LIVE BIRTHS, CALIFORNIA COUNTIES, 2014-2023(By Place of Residence)*

COUNTY	FISCAL YEAR									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
CALIFORNIA	**398,783**	**419,218**	**420,757**	**420,396**	**446,548**	**454,244**	**471,806**	**488,925**	**491,789**	**502,973**
ALAMEDA	16,155	16,603	16,934	17,303	18,197	18,225	18,896	19,576	19,442	19,657
ALPINE	3	9	11	14	17	10	7	7	3	6
AMADOR	307	312	352	272	314	305	303	307	305	291
BUTTE	2,036	1,937	2,057	1,984	2,149	2,419	2,389	2,491	2,442	2,482
CALAVERAS	374	367	392	364	401	375	421	374	380	348
COLUSA	249	284	286	292	249	267	293	316	298	285
CONTRA COSTA	11,169	11,595	11,933	11,814	11,811	11,995	12,186	12,344	12,599	12,560
DEL NORTE	216	276	262	258	281	269	269	310	300	324
EL DORADO	1,421	1,563	1,593	1,477	1,531	1,678	1,572	1,602	1,596	1,618
FRESNO	13,085	13,947	13,972	13,828	14,051	14,413	14,546	15,134	15,363	15,796
GLENN	320	367	353	359	398	365	378	379	376	416
HUMBOLDT	1,069	1,200	1,265	1,258	1,406	1,365	1,372	1,491	1,445	1,474
IMPERIAL	2,232	2,658	2,442	2,427	2,618	2,628	2,924	2,990	3,217	3,270
INYO	132	148	166	171	191	176	212	182	203	226
KERN	12,055	12,505	12,491	12,349	12,772	12,874	13,330	13,733	13,769	14,199
KINGS	2,016	2,045	2,165	2,235	2,101	2,256	2,375	2,248	2,275	2,342
LAKE	599	690	660	700	732	714	750	749	724	748
LASSEN	224	277	297	281	284	307	301	306	294	326
LOS ANGELES	90,466	95,493	95,886	97,772	106,987	110,167	116,850	122,940	124,438	130,150
MADERA	2,176	2,169	2,043	2,106	2,066	2,076	2,121	2,355	2,225	2,313
MARIN	2,176	2,232	2,336	2,082	2,083	2,122	2,238	2,255	2,288	2,403
MARIPOSA	149	143	169	124	132	154	141	148	166	138
MENDOCINO	757	882	909	881	926	896	992	1,024	1,052	1,020
MERCED	3,653	3,896	3,904	3,774	3,851	3,870	4,202	4,117	4,105	4,158
MODOC	26	84	83	77	89	100	88	97	80	90
MONO	98	126	127	124	128	129	147	131	152	149
MONTEREY	5,331	5,698	5,433	5,603	5,882	5,887	5,813	6,222	6,426	6,458
NAPA	1,254	1,148	1,204	1,200	1,294	1,206	1,291	1,407	1,456	1,478
NEVADA	749	782	809	776	812	772	797	783	876	817
ORANGE	29,921	30,857	30,702	30,921	34,909	35,643	37,395	38,121	37,622	38,610
PLACER	3,767	3,758	3,853	3,482	3,660	3,664	3,691	3,733	3,748	3,644
PLUMAS	110	140	166	162	162	168	173	169	163	147
RIVERSIDE	26,341	27,935	27,585	27,149	28,255	28,684	29,880	30,682	30,510	30,271
SACRAMENTO	17,363	18,194	18,360	17,996	18,988	19,052	19,206	19,592	19,430	19,886
SAN BENITO	768	867	835	725	791	772	735	777	720	697
SAN BERNARDINO	24,693	26,345	26,799	26,778	28,688	28,964	29,708	31,114	30,619	31,306
SAN DIEGO	35,504	37,748	37,561	37,268	38,645	40,008	41,251	42,741	43,961	44,596
SAN FRANCISCO	6,759	7,091	7,481	7,984	8,396	8,690	8,950	9,061	8,972	9,102
SAN JOAQUIN	9,544	10,106	9,766	9,740	10,076	9,811	9,929	10,269	9,986	10,095
SAN LUIS OBISPO	2,437	2,415	2,451	2,353	2,464	2,433	2,551	2,582	2,668	2,595
SAN MATEO	7,109	7,527	7,484	7,757	8,253	8,326	8,586	8,961	9,040	9,098
SANTA BARBARA	5,425	5,666	5,489	5,332	5,512	5,256	5,533	5,501	5,673	5,829
SANTA CLARA	18,276	19,017	19,108	19,509	21,100	21,267	22,137	23,044	23,393	23,759
SANTA CRUZ	2,134	2,321	2,245	2,183	2,395	2,447	2,661	2,803	2,841	3,047
SHASTA	1,814	1,775	1,837	1,839	1,876	1,961	2,008	2,048	2,074	2,083
SIERRA	13	20	24	25	24	26	32	32	31	21
SISKIYOU	279	397	405	390	434	438	446	462	466	451
SOLANO	4,624	4,851	4,969	4,946	5,053	5,039	5,133	5,262	5,132	5,251
SONOMA	4,352	4,438	4,549	4,306	4,377	4,525	4,645	4,964	5,016	5,075
STANISLAUS	6,706	7,029	7,251	7,051	7,295	7,339	7,443	7,867	7,700	7,521
SUTTER	1,221	1,216	1,253	1,256	1,255	1,266	1,263	1,368	1,302	1,317
TEHAMA	756	788	751	731	788	731	743	789	828	787
TRINITY	93	105	113	102	94	113	126	109	102	112
TULARE	6,539	6,834	6,796	6,701	6,763	6,900	7,131	7,146	7,412	7,618
TUOLUMNE	437	436	459	395	466	450	470	456	466	454
VENTURA	8,337	8,747	8,785	8,331	8,829	9,025	9,321	9,592	10,062	10,471
YOLO	1,892	1,919	1,965	1,962	2,080	2,127	2,271	2,423	2,402	2,395
YUBA	1,072	1,240	1,181	1,117	1,167	1,099	1,184	1,239	1,155	1,193

California Department of Finance. Demographic Research Unit. Report P-B: Births Report, California and Counties, 2000-2050 (Baseline 2023 Population Projections; Vintage 2024 Release). Sacramento: California. September 2024.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
CHILDREN'S SCORECARD
SCHEDULE 11

CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2013-2022

	2022	2021
GOOD HEALTH		
Total percentage of women who received early prenatal care*	**	88.70%
Newborns with low birth weight (less than 2,500 grams)*	**	2,129
Percent of Infants with low birth weight*	**	6.90%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth* (FY)	176	190
Children adequately immunized at Kindergarten entry*	96.4%	96.3%
Infant Mortality Rate (per 1,000 live births)*	**	3.6
Number of Teen Births and Teen Birth Rates per 1,000 females*	**	5.5
Breastfeeding Percentages (any)*	**	94.7%
Breastfeeding Percentages (exclusive)*	**	68.3%
ECONOMIC WELL-BEING		
Children receiving financial assistance though CalWORKS* (FY)	22,710	24,795
Percent of children receiving CalWORKS of total population under 18* (FY)	3.2%	3.5%
Percentage of students eligible for free and reduced lunch* (FY)	52.9%	49.1%
Number of participants served by the WIC program* (FY)	55,615	58,807
Total number of child support cases* (FY)	56,998	59,271
Total child support collections $ (in millions)* (FY)	179.9	189.1
EDUCATIONAL ACHIEVEMENT		
Total public school enrollment* (FY)	445,149	456,028
Number of English learner students* (FY)	95,919	92,765
Average $ expenditure per pupil for grades K-12* (FY)	15,918	13,257
Total number of students K-12 receiving special education* (FY)	**	**
SAFE HOMES AND COMMUNITIES		
Average monthly number of children in out-of-home care* (FY)	2,063	2,137
Average monthly number of dependents of the court* (FY)	2,949	3,098
Total juvenile arrests for youth 10 to 17 years of age*	**	1,368
Total number of juveniles referred to probation, 10 to 18 years*	**	1,789

* The 29th Annual Report on the Condition of Children in Orange County presents dates through calendar year 2022. Data through FY 2023-24 not yet available.

** Not yet available

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
DEMOGRAPHIC INFOMATION
CHILDREN'S SCORECARD
SCHEDULE 11 (CONTINUED)

2020	2019	2018	2017	2016	2015	2014	2013
88.20%	87.00%	88.40%	86.90%	84.40%	85.20%	86.10%	88.30%
1,900	2,374	2,227	2,222	2,397	2,360	2,433	2,330
6.3%	6.8%	6.3%	5.8%	6.3%	6.3%	6.3%	6.3%
197	234	180	190	178	121	110	98
94.7%	95.5%	95.7%	95.7%	95.5%	92.5%	90.1%	88.7%
2.8	2.9	2.6	2.9	2.7	2.5	3.0	3.3
6.9	7.5	8.3	9.9	10.9	12.0	14.8	16.7
94.3%	93.9%	94.3%	94.8%	95.0%	95.1%	94.8%	94.0%
67.6%	66.0%	67.0%	65.8%	66.1%	67.1%	64.6%	62.7%
25,098	26,545	30,816	34,485	38,982	42,345	42,877	43,916
3.5%	3.7%	4.3%	4.7%	5.5%	6.0%	6.0%	6.1%
48.6%	48.6%	49.1%	47.7%	49.1%	49.0%	50.0%	47.9%
52,995	27,666	57,874	61,406	71,367	78,856	87,408	92,303
62,851	68,878	66,296	70,403	68,117	67,732	68,635	70,608
199.1	185.3	184.3	184.0	182.3	178.8	177.9	178.6
473,066	478,149	485,099	489,791	492,886	497,116	500,487	501,801
102,141	105,441	113,938	119,315	123,001	129,390	130,570	123,390
12,600	12,200	11,420	10,926	9,105	9,128	8,274	7,950
**	**	57,141	55,908	54,231	53,512	53,005	52,216
2,178	2,003	1,872	1,816	1,774	1,825	1,945	2,012
3,082	2,819	2,677	2,587	2,499	2,561	2,685	2,850
2,053	2,619	2,729	3,770	4,521	4,829	6,580	6,892
2,543	3,417	4,250	5,098	5,617	5,808	7,156	7,821

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
OPERATING INFOMATION
CAPTIAL ASSETS STATISTICS
SCHEDULE 12

CAPITAL ASSETS STATISTICS

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

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

PRINCIPAL EMPLOYERS

LAST YEAR AND NINE YEARS AGO

2023*

Employer	Number of Employees	Rank	Percentage of Total County Employment
Disneyland Resort	34,000	1	2.11%
University of California, Irvine	26,072	2	1.56%
Providence South Division	23,632	3	1.15%
County of Orange	18,000	4	0.82%
Kaiser Permanente	10,293	5	0.64%
Hoag Memorial Hospital Presbyterian	8,081	6	0.50%
Albertsons Southern California Division	7,222	7	0.45%
Allied Universal	6,145	8	0.38%
MemorialCare	5,800	9	0.36%
CHOC Hospital	5,462	10	0.34%

2014**

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	25,000	1	1.56%
University of California, Irvine	22,253	2	1.39%
County of Orange	18,035	3	1.12%
St. Joseph Health System	12,062	4	0.75%
Boeing Co.	6,890	5	0.43%
Kaiser Permanente	6,040	6	0.38%
Bank of America Corp.	6,000	7	0.37%
Walmart	6,000	8	0.37%
Memorial Care Health System	5,635	9	0.35%
Target Corporation	5,400	10	0.34%

* Source: Orange County Business Journal, Book of Lists 2023
** Source: Orange County Business Journal, Book of Lists 2014

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
OPERATING INFOMATION
EMPLOYEES BY FUNCTION
SCHEDULE 14

EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Number of Employees by Function										
General Administration	2	2	2	2	2	3	3	3	3	3
Finance	2	2	2	2	2	2	2	2	2	2
Contracts Administration	1	1	2	2	2	2	2	3	3	4
Program Management & Evaluation	12	10	7	7	6	5	5	4	4	4
Total Employees	17	15	13	13	12	12	12	12	12	13

* Table presents Regular and Limited-Term Employees

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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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 2, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

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Report on 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.

Eide Bailly LLP

Laguna Hills, California
December 2, 2024

Independent Auditor's Report on State Compliance

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

Report on Compliance

Opinion

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, 2024.

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, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Laguna Hills, California
December 2, 2024