CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY

(a Component Unit of the
County of Orange, California)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Prepared by:

Michael Garcell, CPA

Finance Manager

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
FOR THE YEAR ENDED JUNE 30, 2015

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October 7, 2015

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

Dear Commissioners,

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

The CAFR has been audited by the independent certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the Commission for the year ended June 30, 2015, 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, 2015. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Commission

The Commission was established by the Orange County Board of Supervisors in September 1999 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development. The Commission's activities have been built to develop, adopt, promote and implement programs to support early childhood development. Since inception, the Commission has made a lasting positive impact in Orange County through its expenditures of almost $680 million toward grants, programs and operations that improve the well-being of young children and families in Orange County support the Commission's vision of every child "healthy and ready to learn".

Relevant Financial Policies

Financial Plan
In November 2013, the Children and Families Commission reviewed the updated Long Term Financial Plan (LTFP). The LTFP, which is reviewed annually to incorporate the prior year-end financials as well as updated revenue projections, continues to anticipate annual decreases in Proposition 10 tobacco tax collections. Since its peak in 2000, the Commission has had an overall reduction of over 45% in revenue, and tobacco revenue is projected to continue to decline at a rate of 3% to 4% annually. Given this decline, the Commission directed staff to develop three-year funding renewal recommendations. The first year of the three-year funding renewals was FY 2014-15.

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

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

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

As a first step in this process, staff conducted a review of the core elements of the Strategic Plan to assess alignment with priorities and strategies articulated by the Commission. The proposed changes to the Strategic Plan focused on using consistent terminology in all elements, aligning the language with terms that the Commission currently uses, and concisely stating the Commission's priorities. The Plan revisions were approved by the Commission in October 2013 and reviewed in April 2014.

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

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

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

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

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

Other Financial Information

Internal Control

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

Budgetary Control

The objective of budgetary control is to ensure that spending is limited to the total amount authorized by the Board of Commissioners. The initial budget for fiscal year 2014-2015 was adopted on April 2, 2014 with subsequent adjustments approved on October 1, 2014 and May 6, 2015. The Executive Director has the discretion to adjust the budget as defined within the budget policy of the Board of Commissioners. Monthly financial highlights are provided to the Board of Commissioners.

Risk Management
The Commission manages its risk exposure in part through the purchase of Workers Compensation, Property, General Liability, Auto, Crime and Directors and Officers insurance through the County of Orange.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the third consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Commission must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United State of America and applicable legal requirements.

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

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

Sincerely,

Christina Altmayer
Executive Director

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
BOARD OF COMMISSIONERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

COMMISSION BOARD MEMBERS (9)

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

Hugh Hewitt (A)
Vice Chair

Sandra Barry (A)
Chair Pro-tem

Katherine Ahn, DDS (A)

Kimberly Cripe (A)

Sandra Pierce (A)

Mark Refowitz (M)
Health Care Agency

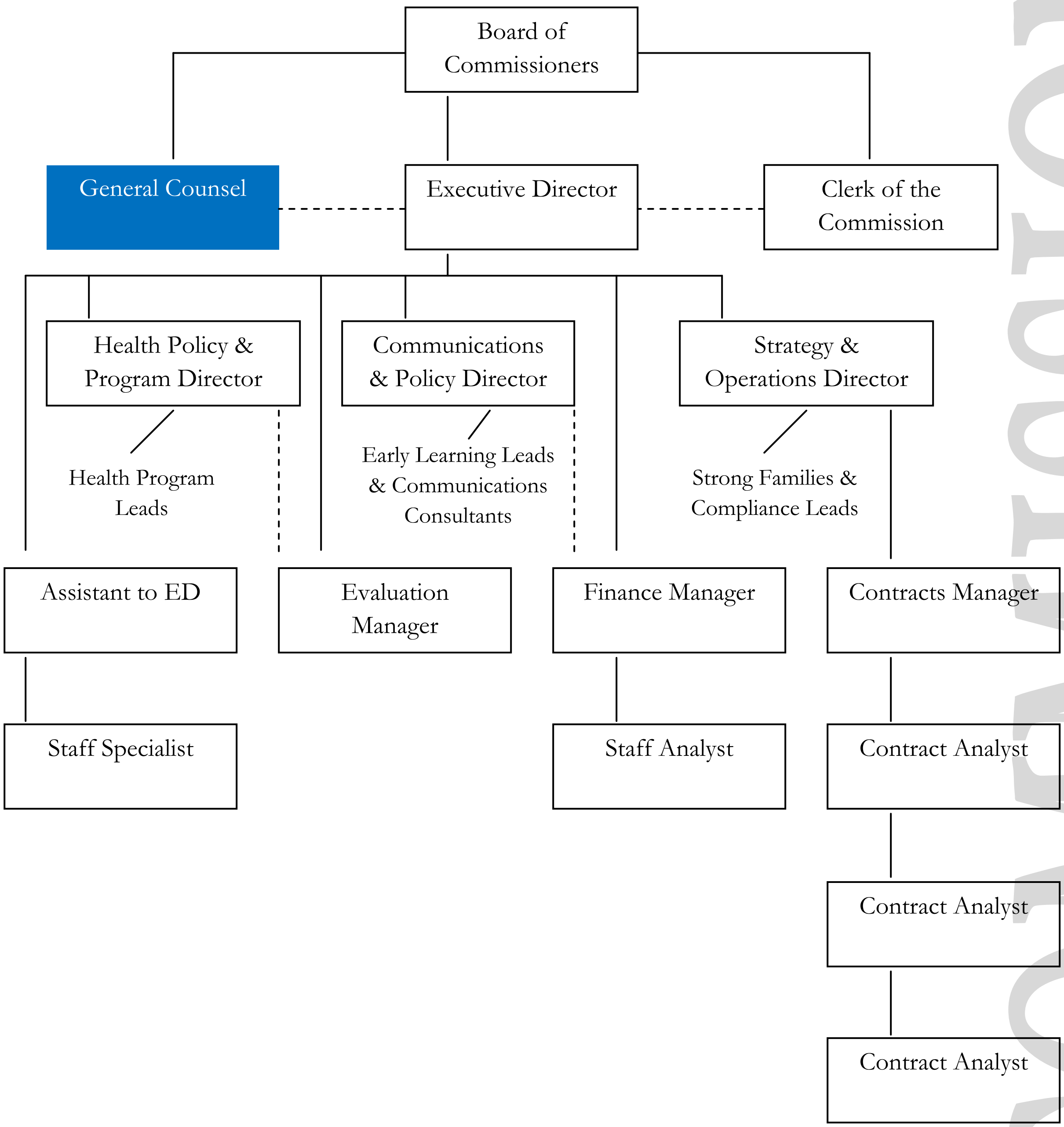
Michael F. Ryan (M)
Social Services Agency

Michelle Steele (M)
Board of Supervisors

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

COMMISSION

CHILDREN AND FAMILIES COMMISSION
OF ORANGE COUNTY
ORGANIZATION CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2015



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Children and Families Commission of Orange County California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

vtd
Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

25231 Paseo De Alicia, Suite 100 Laguna Hills, CA 92653 Tel: 949.768.0833 Fax: 949.768.8408 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and schedule of Commission contributions on pages 4 – 16, 43 and 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to described the scope of our testing of internal control over financial reporting and compliance and that results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 5, 2015

As management of the Children and Families Commission of Orange County (Commission), we offer readers of the Commission's Comprehensive Annual Financial Report this overview and analysis of the financial activities for the fiscal year ended June 30, 2015. 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 $54.5 million at the end of the current fiscal year, a decrease of $10.2 million (15.8%) from the prior fiscal year after adjusting for the implementation of the Governmental Accounting Standards Board Statement No. 68. The decrease is primarily due to Round 1 and 2 Catalytic expenditures above the Commission's annual program budget.

- As of June 30, 2015, the Commission's governmental fund statements reported an ending fund balance totaling $55 million, a decrease of $6.7 million (10.8%) from the prior fiscal year.

- Consistent with the implementation of GASB 54, the total ending fund balance of $55 million was classified into the appropriate categories. The Commission's breakdown is as follows: $9.3 million as non-spendable, $30.1 million as committed, and $15.6 million as assigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents changes in the Commission's net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, net pension liability).

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related and legal requirements. All of the Commission's activities are accounted for in the general fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available at the end of the year*. Such information may be useful in evaluating the Commission's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Commission's near-term financial decisions. Reconciliations are presented for the Balance Sheet of governmental funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to facilitate comparison between governmental funds and governmental activities.

Governmental Fund Financial Statements are prepared on a modified accrual basis, which means that they measure only current financial resources and uses. Capital assets and long-term liabilities are not presented in the Governmental Fund Financial Statements, as they do not represent current available resources or obligations. The Commission adopts an annual appropriated budget for the general fund. A budgetary comparison statement for the general fund is presented in the basic financial statements to demonstrate compliance with the adopted budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

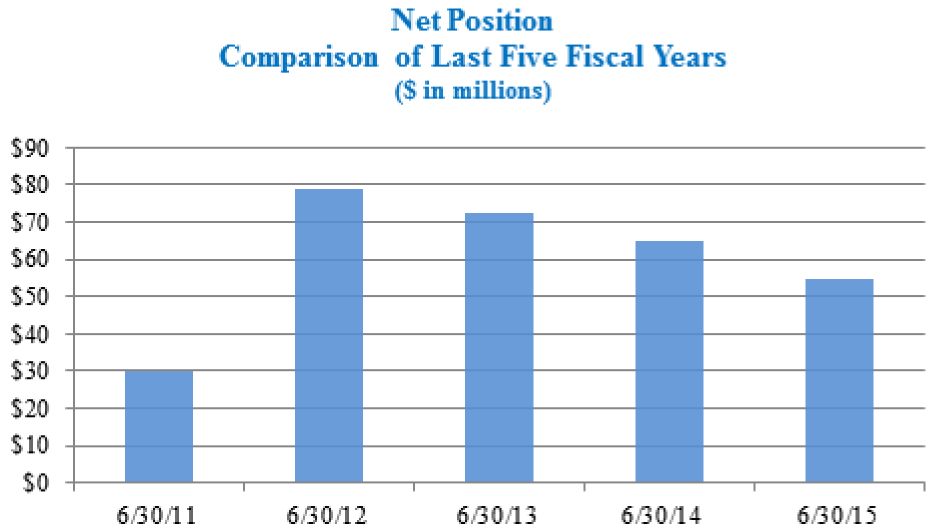
ANALYSIS OF THE COMMISSION'S GOVERNMENT-WIDE FINANCIAL STATEMENTS

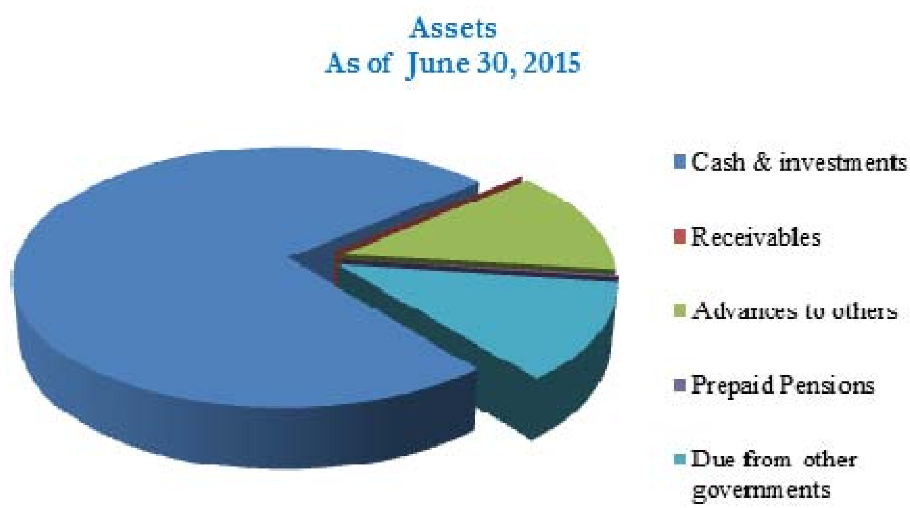
Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, net position was $54.5 million at the end of the current fiscal year, a 15.85% decrease from the prior fiscal year and includes the implementation of Governmental Accounting Standards Board Statement No. 68. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2015 and June 30, 2014.

The Commission's net position as of June 30, 2015 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

	FY 2014-15	FY 2013-14	Percent Increase (Decrease)
Assets:			
Cash and investments	$51,804,019	$57,491,881	-9.9%
Imprest cash	10,000	10,000	
Interest receivable	23,026	19,262	19.5%
Due from County of Orange	16,814	10,213	64.6%
Due from other governments	8,385,214	8,203,601	2.2%
Prepaid pensions	156,417	282,162	-44.6%
Advances to others	9,027,458	10,500,000	-14.0%
Total assets	$69,422,948	$76,517,119	-9.2%
Deferred Outflows of Resources:			
Pensions	521,771	-	100.0%
Total deferred outflows of resources	521,771	-	100.0%
Liabilities:			
Accounts payable and accrues liabilities	$4,232,085	$4,873,567	-13.2%
Due to County of Orange	9,413	12,390	-24%
Due to other governments	4,396,008	4,673,268	-5.9%
Retentions payable	1,913,859	2,089,548	-8.4%
Accrued wages and benefits	83,187	74,232	12.1%
Compensated absences:			
Payable within one year	67,250	74,971	-10.3 %
Payable after one year	30,823	28,608	7.7%
Net Pension Liability	3,957,426	-	100.0%
Total liabilities	14,690,051	11,826,584	24.2%
Deferred Inflows of Resources:			
Pensions	782,961	-	100.0%
Total deferred inflows of resources	782,961	-	100.0%
Net Position:			
Unrestricted	54,471,707	64,690,535	-15.8%
Total net position	$54,471,707	$64,690,535	-15.8%


Net Position
Comparison of Last Five Fiscal Years
($ in millions)
$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
6/30/11
6/30/12
6/30/13
6/30/14
6/30/15


Assets
As of June 30, 2015
Cash & investments
Receivables
Advances to others
Prepaid Pensions
Due from other governments

Assets, Current and Other

- Cash and investments totaled $51.8 million. All of the $51.8 million was invested in the Orange County Investment Pool (OCIP), except for a small petty cash fund held at the Commission. The investments in OCIP are managed by the County Treasurer and reviewed for compliance with the Commission's Annual Investment Policy. Cash and investments decreased by 9.9% due to the payments made for Catalytic Round 1 and 2 programs.

- Due from other governments totaled $8.4 million. Of this amount, $4.3 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2015 allocations and $4 million for First 5 California program revenue for the CARES Plus, Child Signature Program RFA#2, and Child Signature Program RFA#3 programs. First 5 California program revenues of approximately $3 million were not received within the Commission's period of availability and, as such, are recorded as deferred inflows on the Governmental Fund Balance Sheet.

- Advances to others totaled $9 million represents funds advanced or transferred to contractors for services not provided by June 30, 2015. $5.3 million was transferred for Emergency Shelter Catalytic programs and $3.5 million is remaining for Early Literacy and Math programs.

- Other current assets consist of $0.02 million in interest and $0.16 million in Prepaid Pensions.

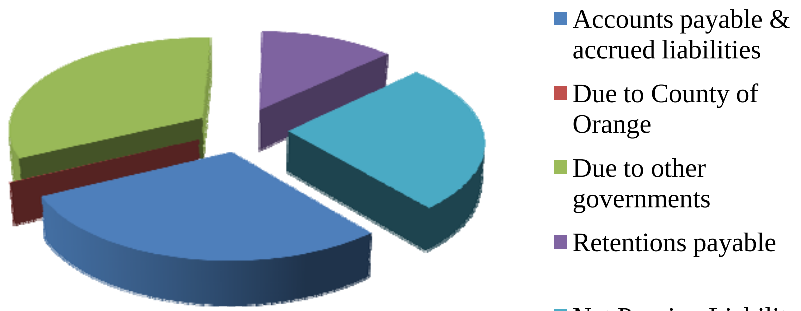
Deferred Outflows of Resources

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

- All commission contributions (not including the amounts recorded in prepaid pension, since these amounts will be reflected in the December 31, 2015 measurement) $350,417 including early payments, made subsequent to the measurement date (December 31, 2014) of the collective net pension liability are required to be reported as deferred outflows of resources related to pensions. FY 2014-15 is the first year Governmental Accounting Standards Board Statement No. 68 requires deferred outflows of resources related to pensions be recognized in the Commission financial statements. Deferred outflows of resources also include $171,354 for the net differences between projected and actual earnings on pension plan over the measurement period ending December 31, 2014.

- Note 8 to the Commission financial statements provides further detail of all deferred outflows of resources recognized in FY 2014-15.

Liabilities
As of June 30, 2015



Liabilities

- Accounts payable and due to other governments totaling $8.6 million. Payables to grantees for services not yet billed at June 30, 2015 are based on established contract terms.

- Retentions payable totaling $1.9 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.

- Other current liabilities totaling $0.2 million consisting of amounts due to the County of Orange and accrued wages, benefits and compensated absences.

- Net Pension Liability of $3.96 million is reported for the first time in FY 2014-15 as a result of the implementation of GASB 68.

Deferred Inflows of Resources

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

- FY 2014-15 is the first year Governmental Accounting Standards Board Statement No. 68 requires deferred inflows of resources related to pensions be recognized in the Commission financial statements. Total deferred inflows of resources of $782,961 are the results of differences between expected and actual experience, changes of assumptions, and changes in the Commission's proportionate share occurring over the measurement period ending December 31, 2014.

- Note 8 to the Commission financial statements provides further detail of all deferred inflows of resources recognized in FY 2014-15.

Changes in Net Position

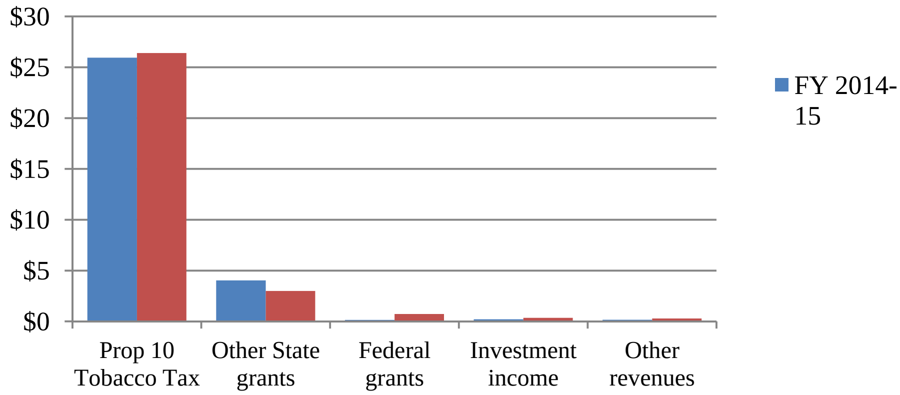
For the year ended June 30, 2015, current year operations decreased the Commission's net position by $5.9 million. The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

	FY 2014-15	FY 2013-14	Percent Increase (Decrease)
Revenues:			
Program Revenues			
Tobacco taxes	$25,943,624	$26,395,725	-1.71%
Other State operating grants and contributions	4,039,836	3,165,906	27.60%
Interest income earned on tobacco taxes at the State	8,082	7,071	14.30%
Federal operating grants and other contributions	146,579	724,612	-79.77%
Total program revenues	30,138,121	30,293,314	-0.51%
General Revenues			
Investment income	206,029	349,366	-41.03%
Other revenues	151,086	56,520	167.31%
Total general revenues	357,115	405,886	-12.02%
Total revenues	30,495,236	30,699,200	-0.66%
Expenses:			
0-5 Child development programs	34,608,366	36,672,235	-5.63%
Salaries and benefits	1,689,772	1,747,564	-4.77%
Total expenses	36,298,138	38,419,799	-5.16%
Change in net position:	**(5,802,902)**	**(7,720,599)**	
Net position – July 1 (as restated)	60,274,609	72,411,134	-16.76%
Net position – June 30	$54,471,707	$64,690,535	-15.8%

Total revenues

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

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



- *Program revenues*
  The Commission's program revenues totaled $30.1 million in FY 2014-15 and accounted for 98.8% of total revenues. This represented a decrease of $.16 million (-.5%) from FY 2013-14 program revenues.

  - Tobacco Tax revenue includes revenues from taxes levied on tobacco products by the State of California and distributed amongst all counties based on the percentage of county birthrates as established in Proposition 10. This revenue decreased by $.45 million (-1.7%) from the prior fiscal year.
    - The California Children and Families Commission (First 5 California) forecasted a decline of 7% each fiscal year in the tobacco tax revenue allocation models. These models are calculated using birthrate data and tobacco sales and usage provided by the California Department of Finance.

  - Other State operating grants and contributions includes revenue from the state-wide CARES Plus grant, Child Signature Program RFA#2, and Child Signature Program RFA#3.

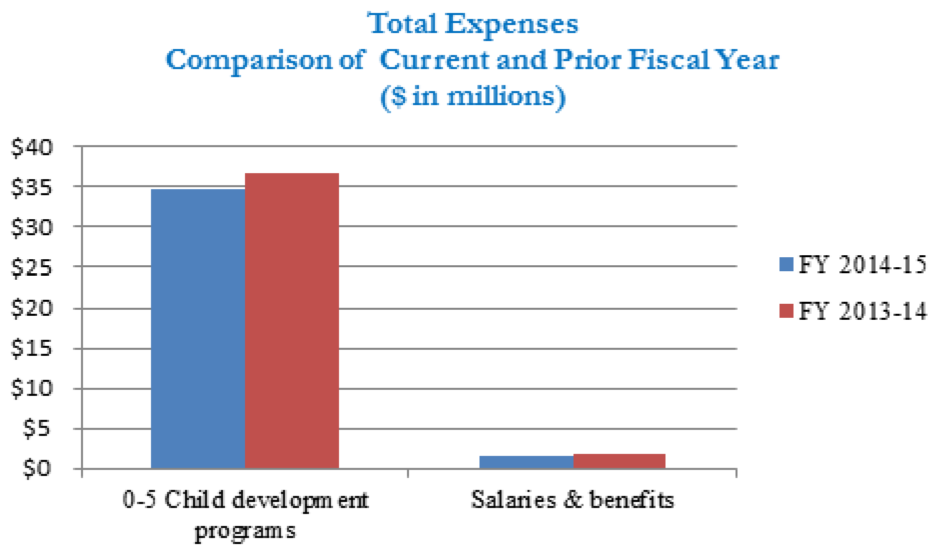
  - Federal operating grants includes revenues from the federal AmeriCorps VISTA. The decrease in federal revenues is due the AmeriCorps VISTA program ramping down in FY 2014-15 and ending in FY 2015-16. The recognition of Medical Administrative Activities revenues will occur in FY 2015-16 when the related federal claims have been finalized.

- *General revenues*
  The Commission's general revenues totaled $0.36 million in FY 2014-15 and accounted for 1.2% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenues.

  - Investment income decreased by $0.14 million from the prior fiscal year. The decrease in investment income from the Orange County Investment Pool (OCIP), which is administered by the County Treasurer, is due to the overall returns in the fixed income markets combined with the fair value adjustments posted for the Commission's proportionate share in the county investment pool at year end.

Governmental Activities Expenses

Total expenses decreased by $2.1 million (-5.52%) from the prior fiscal year. The decrease is due to reduced program and operating spending as planned for in the long-term financial plan. $6.4 million in Catalytic funding was expensed during the fiscal year. FY 2014-15 was the third year for Round 1 and 2 Catalytic funding. Nearly $3.6 million was expensed in FY 2014-15 for the second year of First 5 Child Signature Program and CARES Plus Round 2 programs. Other zero-to-five child development programs totaling $24.2 million decreased by $3 million or 11%.



- Zero-to-five child development programs decreased by $2.1 million (5.63%) from the prior fiscal year to fund programs serving children and families within the Commission's four strategic goal areas of Healthy Children, Ready to Learn, Strong Families and Capacity Building. Reduced program spending is a component of the Commission's long-term financial plan. Prop 10 tobacco tax revenue has been and will continue as a declining revenues source. To focus on sustainability and service delivery while allowing for decreased revenue, the long-term financial plan incorporates a step-down approach to annual program funding over the next ten years.

- Salaries and benefits decreased by $.058 million (-3.31%) from the prior fiscal year due to vacant staff positions.

ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND STATEMENTS

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

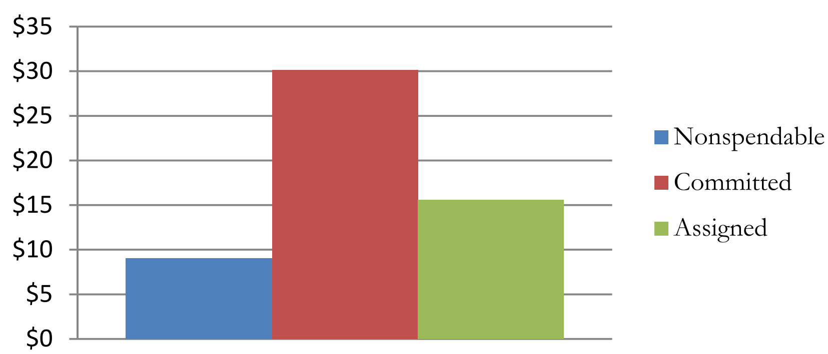
Governmental Funds

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

As of the end of the current fiscal year, the Commission's general fund reported total ending fund balance of $55 million, a decrease of $6.7 million (10.82%) in comparison with the prior fiscal year.

Total fund balance decreased due to the third year of funding for Catalytic programs in the amount of $5.9 million. The remaining decrease was fund balance used to bridge the gap between current year revenue and expenditures as planned for in the Commission's financial plan.

Fund Balance Classifications
As of June 30, 2015
($ in millions)



General Fund Budgetary Highlights

Budget Amendments

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

- Total budgeted revenues were increased by $.54 million. The amendments were based on projected receipts of AmeriCorps VISTA program reimbursements and other program revenue for various projects.

  - Other operating revenue - increase of $.2 million was due to projected federal grant revenues for the AmeriCorps VISTA program, and an additional $.1 million of revenue was added reimbursements from other participating program partners. The remaining increase was for partner funding for the Conditions of Children Report, Community Indicators Report, and the ACT Anaheim Collaborative.

- Total budgeted appropriations were increased by $1.18 million in the 0-5 child development program expenditures line items not including amounts budgeted for Catalytic programs. The major components of the increase are summarized as follows:

  - Healthy Children - increase of $.87 million for the carryover of prior year unspent funds. The majority of the carryover funds were for Community Clinics and Pediatric Health Services programs.

  - Strong Families - increase of $7,500 for the Safe Sleep program contribution.

  - Early Learning - increase of $0.1 million for the carryover over of prior year unspent funds and amendments in Early Learning programs. The increase was for EDI, project management, and Champions for Children's Literacy spending not included in the initial budget.

  - Capacity Building – increase of $0.19 million for carryover of prior year unspent funds in Capacity Building Grants and the expenses to be reimbursed through the agreement with Orange County Social Services Agency for the Conditions of Children Report.

  - Catalytic Round 1 and 2 Program Funding was increased by $8.2 million to estimate the amount of Catalytic expenses. Due to project and contract development and other planning issues, the timing of the recognition of expense can be difficult to predict. Each year staff estimates the amount of expenses in the amended budget, and the remaining Catalytic funds are budgeted for in the year the expense will be recognized.

Budget to Actual Comparisons

This section contains an explanation of the significant differences between the Commission's Final Budget amounts and actual amounts recorded for revenues and expenditures for FY 2014-15 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were less than budgeted revenues in FY 2014-15 by $1.2 million. Revenues from the First 5 programs were not received during the Commission's period of availability and have been recorded as deferred inflows. The unavailable revenue from the First 5 programs will be recognized on the Commission's FY 2015-16 fund financial statements.

- Total budgeted appropriations exceeded actual expenditures in FY 2014-15 by $4.6 million largely due to the timing of Catalytic program implementations and funding and the unspent First 5 CA Child Signature Program funding.
    - 0-5 child development program expenditures were less than budgeted appropriations by $2.6 million. The variance is due to unspent Child Signature Program of $1.2 million and an accumulation of various programs under-spending and the timing of program cost recognition. Budgeted funding amounts for programs delayed or extended will be carried over into the following year's budget.
    - Salaries and benefits actual expenditures were less than budgeted appropriations by $0.22 million due to vacant staff positions.
    - Catalytic expenditures were $6.4 million compared to the final budget of $8.2 million. FY 2014-15 was the third year Round 1 and 2 catalytic funds were disbursed. The total funding amount of approximately $55 million was approved by the Commission as detailed below. Expenditures will be recognized as services are provided and deliverables met for each separate Catalytic program. At budget adoption, the timing of FY 2014-15 distributions and expense recognition were not known. Each Catalytic program has a unique scope and budget. Final payment terms are included in the contracts approved by the Commission for each Catalytic program. Remaining Catalytic funding will be carried forward into future year budgets as defined in the related Catalytic contract payment and deliverable schedules.

Commission Catalytic funding	
Round 1:	
Children's Dental Programs	$20,000,000
Early Developmental Services / Autism Program	7,000,000
Year Around Emergency Shelter	7,000,000
Early Literacy and Math	5,000,000
Healthy Child Development	5,500,000
VISTA/AmeriCorps transition feasibility	25,000
	$44,525,000
Round 2:	
Capacity Building	$3,250,000
Partnership for Children's Health	3,000,000
Prevention Services	500,000
Nutrition and Fitness	500,000
Pediatric Vision Services	1,500,000
Catalytic Matching Fund	1,675,000
	$10,425,000
Subtotal	$54,950,000

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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

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

REQUESTS FOR FINANCIAL INFORMATION

This comprehensive annual financial report is intended to provide the public with an overview of the Commission's financial operations and condition for the fiscal year ended June 30, 2015. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Children & Families Commission of Orange County, 1505 East 17th Street, Suite 230, Santa Ana, California 92705.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and investments in County Treasury	$	51,804,019
Imprest cash		10,000
Interest receivable		23,026
Due from County of Orange		16,815
Due from other governments		8,385,214
Prepaid pensions		156,417
Advances to others		9,027,458
Total Assets		69,422,948
DEFERRED OUTLFOWS OF RESOURCES		
Deferred Outflows - Pensions		521,771
Total deferred outflows of resources		521,771
LIABILITIES		
Accounts payable		4,232,085
Due to County of Orange		9,413
Due to other governments		4,396,008
Retentions payable		1,913,859
Accrued wages and benefits		83,187
Compensated absences:		
Payable within one year		67,250
Payable after one year		30,823
Net Pension liability		3,957,426
Total Liabilities		14,690,051
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions		782,961
Total deferred inflows of resources		782,961
NET POSITION		
Unrestricted		54,471,707
TOTAL NET POSITION	$	54,471,707

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants And Contributions	Governmental Activities
Governmental Activities:			
Child development	$ 36,298,138	$ 30,138,121	$ (6,160,017)
General Revenues:			
Investment income			206,029
Miscellaneous			151,086
Total General Revenues			357,115
Change in Net Position			(5,802,902)
Net Position, July 1 (as restated)			60,274,609
Net Position, June 30			$ 54,471,707

See accompanying notes to the basic financial statements.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2015

		General Fund
ASSETS		
Cash and investments in County Treasury	$	51,804,019
Imprest cash		10,000
Interest receivable		23,026
Due from County of Orange		16,815
Due from other governments		8,385,214
Prepaid pensions		312,833
Advances to others		9,027,458
Total Assets	$	69,579,365
LIABILITIES		
Accounts payable	$	4,232,085
Due to County of Orange		9,413
Due to other governments		4,396,008
Retentions payable		1,913,859
Accrued wages and benefits		83,187
Total Liabilities		10,634,552
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - unavailable revenue		3,902,594
Total Deferred Inflows of Resources		3,902,594
FUND BALANCES		
Nonspendable fund balance		9,340,291
Committed fund balance		30,112,816
Assigned fund balance		15,589,112
Total Fund Balances		55,042,219
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	69,579,365

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, 2015

Fund balances of governmental funds	$	55,042,219
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid expense included as a deferred outflow on the accrual basis used in the government-wide statements		(156,417)
Deferred outflows of resources related to pensions		521,771
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported in the funds.		(4,055,499)
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.		3,902,594
Deferred inflows of resources related to pensions		(782,961)
Net Position of governmental activities	$	54,471,707

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, 2015

	General Fund
REVENUES	
Prop 10 Tobacco Tax	$ 25,943,624
Investment income earned on tobacco taxes at the State level	8,082
Other State operating grants and contributions	2,939,344
Federal operating grants	306,528
Investment income	206,029
Other revenue	264,805
Total Revenues	29,668,412
EXPENDITURES	
Current:	
Salaries and benefits	1,736,171
Expenditures related to the "Zero to Five" Programs	28,193,233
Catalytic Round 1 and 2 Program Funding	6,415,133
Total Expenditures	36,344,537
Change in Fund Balance	(6,676,125)
FUND BALANCE, July 1	61,718,344
FUND BALANCE, June 30	$ 55,042,219

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, 2015

Net changes in fund balance - total governmental funds	$	(6,676,125)
Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in fund balance differs from the amounts reported in the statement of activities because:		
Governmental funds report pension contributions as expenditures. However, in the Statements of Activities, pension expense is measured as the change in the net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the change in pension related amounts.		40,893
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.		5,506
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.		826,824
Change in net position of governmental activities	$	(5,802,902)

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, 2015

	Budgeted Amouts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Prop 10 Tobacco Tax	$ 25,230,753	$ 25,230,753	$ 25,943,624	$ 712,871
Investment income earned on tobacco taxes at the State level	-	-	8,082	8,082
Other State operating grants and contributions	4,716,000	4,716,000	2,939,344	(1,776,656)
Federal operating grants	220,000	408,120	306,528	(101,592)
Investment income	150,000	150,000	206,029	56,029
Other revenue	-	355,478	264,805	(90,673)
Total Revenues	30,316,753	30,860,351	29,668,412	(1,191,939)
EXPENDITURES				
Current:				
Salaries and benefits	1,958,048	1,958,048	1,736,171	221,877
Expenditures related to the "Zero to Five" Program	29,605,955	30,785,233	28,193,233	2,592,000
Catalytic Round 1 and 2 Program Funding	-	8,231,422	6,415,133	1,816,289
Total Expenditures	31,564,003	40,974,703	36,344,537	4,630,166
Net Change in Fund Balance	(1,247,250)	(10,114,352)	(6,676,125)	5,822,105
FUND BALANCE, July 1	61,718,344	61,718,344	61,718,344	-
FUND BALANCE, June 30	$ 60,471,094	$ 51,603,992	$ 55,042,219	$ 5,822,105

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 and 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 of resources and deferred inflows of resources is its net position. Net position represent the resources the Commission has available for use in providing services. The Commission's net position is classified as:

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

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

Government-Wide Financial Statements, (Continued)

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

Fund Financial Statements

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

Deferred Inflows and Outflows of Resources

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

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

Capital assets, net of accumulated depreciation

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

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

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Prepaid Pension

Prepaid pension contributions are reported as a prepaid asset in the fund financial statements and in the Statement of Net Position. The prepaid pension contributions, at the fund level, pertain to the contributions required for the related payroll periods of July 1, 2015 to June 30, 2016. Because the next actuarial valuation to determine the Commission's net pension liability will occur on December 31, 2015, $156,417 of the prepaid contributions is recognized as a deferred outflow of resources on the government wide statements to account for the portion that will be applied to the calculation of net pension liability.

Deferred Outflows and Inflows of Resources

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due the Commission are recognized as deferred inflows in the fund financial statements. Unavailable revenue of $3,902,594 at June 30, 2015 was recognized as revenue in the government-wide financial statements.

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

Long-Term Liabilities

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

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

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

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

Due to other governments

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

Retentions payable

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

Use of Estimates

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

Budget and Budget Reporting

The Commission is required by County ordinance to prepare a budget each year based on estimates of revenues and expected expenditures. The Commission's Board of Commissioners adopted an annual budget of expenditures for the year ended June 30, 2015, 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.

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

Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. With the implementation of GASB 54, the Commission established the following classifications and definitions of fund balance for the year ended June 30, 2015:

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

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

Committed - Resources with self-imposed limitations and require both the approval of the highest level of decision making authority (Board of Commissioners) and the same formal action to remove or modify the limitations. 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 program or initiative.

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

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

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

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

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

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

Fund Balance (Continued)

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 $53.9 million represent Board-approved future year contracts for Catalytic Programs ($18.3 million) and annual programs and operations ($35.6 million). The most significant Catalytic Program encumbrance is for Children's Dental ($14.3 million). The four significant program encumbrance balances are for the Bridges Maternal Child Health Network, Pediatric Health Services, School Readiness Nursing, and Early Learning program totaling $28 million.

Pensions

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

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Commission implemented this statement effective July 1, 2014.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for periods beginning after December 31, 2013. This Statement was effective July 1, 2014. The Commission has determined that this Statement does not have a material impact on the financial statements.

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

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Commission implemented this Statement effective July 1, 2014.

Effective in Future Fiscal Years

GASB Statement No. 72 - In February 2015, GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Commission has not determined the effect of this statement.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 – An Amendments to Certain Provisions of GASB 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The Commission has not determined the effect of this statement.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016, or the 2016-2017 fiscal year. The Commission has not determined the effect of this statement.

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

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

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The Commission has not determined the effect of this statement.

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

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments in County Treasury	$	51,804,019
Imprest Cash		10,000
Total Cash and Investments	$	51,814,019

Cash and investments consisted of the following at June 30, 2015:

Orange County Investment Pool:		
Equity in pooled Money Market fund	$	51,804,019
Imprest Cash		10,000
Total Cash and Investments	$	51,814,019

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

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

Authorized investment instruments include:

- Certificates of Deposit (insured or collateralized)
- Orange County Investment Pool
- "AAA" rated Money Market Mutual Funds
- U.S. Treasury securities

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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, 2015, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The fair value adjustment at June 30, 2015 decreased the Commission's investment income by $77,823. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2015, were as follows:

Due from State Commission:		
Prop 10 revenue for:		
May 2015	$	2,387,958
June 2015		1,947,944
Surplus Money Investment Fund Allocations		8,082
First 5 CARES Plus Program		320,200
First 5 Child Signature Program RFA #2		14,023
First 5 Child Signature Program RFA #3		3,568,371
Due from other governmental agencies for:		
Vista funds		138,636
Total Due from Other Governments	$	8,385,214

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, 2015, were as follows:

Due to government agencies:	
FY 2014-2015 Contract Payment Accruals	$ 4,396,008
Total Due to Other Governments	$ 4,396,008

NOTE 5 – COMPENSATED ABSENCES

The vested compensated absences liability balance at June 30, 2015 consists of the following activity:

Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
$103,579	$78,319	$83,825	$98,073	$67,250

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, 2015 consists of the following:

	June 30, 2015
Nonspendable:	
Advances and prepaid expenses	$ 9,340,291
Committed for:	
Catalytic Round 1 and 2 programs	30,112,816
Assigned for:	
Approved contracts	15,589,112
Total fund balance	$ 55,042,219

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for FY 2015-2016. Refer to Note 8 for further details. Also included in Nonspendable are Catalytic funding amounts advanced to grantees for services not provided by June 30, 2015.

Committed for contractual obligations – consists of contract amounts approved by Commission action as of June 30, 2015 for FY 2015-2016 and future years of Commission Round 1 and 2 Catalytic funding.

Assigned for approved contracts – consists of FY 2015-2016 and 2016-2017 programs that were approved by Commission action and included in the FY 2015-2016 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, one city and twelve special districts.

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

Plan Membership. At December 31, 2014, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	15,169
Vested terminated members entitled to, but not yet receiving benefits	4,789
Active members	21,459
Total	41,417

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. and Assembly Bill (AB) 197. All other employees are classified as General members. New General Members employed after January 1, 2013 are designated as PEPRA General subject to the provisions of California Government Code 7522 et seq. and AB 197.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

General member benefits are calculated pursuant to the provisions of California Government Code 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).

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Contributions. The Commission contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The contribution rates for FY 2014-15 (based on the December 31, 2012 valuation) were 35.41% of compensation for plan I and J members and 32.05% of compensation for plan U members. Contributions recognized by the plan in FY 2014-15 were $356,000.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The member contribution rates for FY 2014-15 at the average age of entry of thirty-two (based on December 31, 2012 valuation) were 13.10% of compensation for plan I, 12.52% of compensation for plan J members, and 7.00% of compensation for plan U members. (It should be noted that the contribution rates provided above have not been adjusted to reflect any pick-up or reverse pick-up.)

Early payment of 2015-2016 contributions. In July 2013, the OCERS Board of Retirement authorized the offer of a 5.80% discount to plan sponsors for the early payment of their employer contributions for FY 2015-2016. Subsequently, the Commission authorized the early payment of $350,321 in January 2015. As of June 30, 2015, $312,833 remained in the account and will be applied towards the Commission's employer required OCERS contributions for FY 2015-2016. At the fund level, the $312,833 is reported as prepaid pensions and the portion of the prepaid which will reduce the net pension liability at the next measurement date been reclassified to deferred outflows of resource on the government wide financial statements.

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

At June 30, 2015, the Commission reported a liability of $3,957,426 for its proportionate share of the net pension liability. The Net Pension Liability (NPL) for the plan was measured as of December 31, 2014. Plan Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2013. At December 31, 2014, the Commission's proportion was 0.078% percent allocated based on the actual employer contributions within the Commission's rate group. The plan provisions used in the measurement of the NPL are the same as those used in the OCERS actuarial valuations as of December 31, 2013.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2015, the Commission recognized pension expense of $294,188. As of June 30, 2015, 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	$ 171,354	
Changes in proportion and differences between employer contributions and proportionate share of contributions		$ 278,554
Changes of assumptions		277,306
Difference between expected and actual experience		227,101
Commission contributions subsequent to the measurement date	350,417	
Total	$ 521,771	$ 782,961

$350,417 of the amount reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The remaining deferred outflows of resources of $171,354 represent the net difference between projected and actual investment earnings on pension plan investments. Additional contributions will be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (108,313)
2017	(108,313)
2018	(108,313)
2019	(108,313)
2020	(151,151)
2021	(27,204)
Thereafter	-
	$ (611,607)

Actuarial assumptions. The TPL as of December 31, 2014 was remeasured by (1) revaluing the TPL as of December 31, 2013 (before the roll forward) to include the following actuarial assumptions that the Retirement Board approved for use in the pension valuation as of December 31, 2014 and (2) using this revalued TPL in rolling forward the results from December 31, 2013 to December 31, 2014.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Inflation	3.00%
Salary Increases General:	4.25% to 13.50% and Safety: 5.00% to 17.50%, varying by service, including inflation
Investment rate of return:	7.25%, net of pension plan investment expense, including inflation

Post – Retirement Mortality Rates:

Healthy:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
	For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.
Disabled:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.
	For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.
Beneficiaries:	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.

The long-term expected rate of return of 7.75% on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Sensitivity of the December 31, 2014 Net Pension Liability to changes in the discount rate. The following presents the Commission's Net Pension Liability (NPL) calculated using the discount rate of 7.25%, as well as what the Commission's NPL would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate.

Employer	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Commission	$5,646,786	$3,957,425	$2,568,356

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

NOTE 9 – COMMITMENTS

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

FY 2015-16	$	68,607
FY 2016-17		22,869
	$	91,476

Rent expense was $68,607 for the year ended June 30, 2015.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Commission contracts with the County to provide accounting, banking and investment, purchasing, human resources, risk management and other administrative services. The Commission participates in the County's risk management programs (commercial and self-insurance programs) for general and automobile liability insurance, public official liability, rental interruption, personal property, worker's compensation, group health indemnified plans, group salary continuance plan, group dental plan and unemployment benefit plan. The Commission records its portion of related insurance premiums charged by the County as an expense. Insurance expense for the year ended June 30, 2015 was $52,018. The Commission incurred expenses totaling $488,710 for all other County services provided during the year ended June 30, 2015. The amount owed to the County of Orange for related party transactions at June 30, 2015 was $9,413.

The Commission paid $2,450,303 of service provider grants to organizations which are represented by two members of the Board of Commissioners, although both members abstain from all votes regarding funding to the organization represented.

NOTE 11 – PROGRAM EVALUATION

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties. For the year ended June 30, 2015, the Commission expended $760,681 for program evaluation.

NOTE 12 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. In accordance with the Commission's participation agreement entered into in July 2007, the Commission is a participant in the County of Orange Retiree Medical Plan (the Plan). The County of Orange has established the Plan as a single-employer defined benefit retiree medical plan. The Plan provides a grant for medical benefits to eligible retirees and their dependents and lump-sum payments for employees separating from employment prior to being eligible for the grant. The County Board of Supervisors maintains the authority to establish and amend the Plan's benefit provisions. The financial statements and required supplementary information of the Plan are included in the County of Orange's fiscal year 2014-2015 Comprehensive Annual Financial Report (CAFR). The Commission is reported in the County's CAFR as a discretely presented component unit. That report may be obtained by contacting the County of Orange, Auditor Controller, 12 Civic Center Plaza, Room 200, Santa Ana, California 92702.

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

Funding Policy. The contribution requirements of plan members and the Commission are those established for the County of Orange and may be amended by the County Board of Supervisors. For the fiscal year ended June 30, 2015, the Commission was required to contribute 3.96% of covered payroll. The contractually required contribution was determined by the County of Orange, as the percentage actuarially determined in accordance with the parameters of GASB 45. The Annual Required Contribution (ARC) represents a level of funding that , if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period of thirty years. The Commission's contributions to the Plan for the fiscal year ended June 30, 2015 were $36,416 which equaled the required contributions. Plan members are currently not required to contribute to the plan, but retirees are required to pay for the cost of the retiree medical benefits in excess of their grant amount.

Fiscal Year Ending	Annual Required Contributions (ARC)	Percentage of ARC Contributed
6/30/2013	$ 42,646	100.00%
6/30/2014	41,854	100.00%
6/30/2015	36,416	100.00%

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

CARES Plus is designed to improve the quality of early learning programs by focusing on increasing the quality, effectiveness, and retention of early educators. As a statewide professional development program, its main objectives are to improve both the quality of early learning programs, and ultimately, learning and developmental outcomes for young children. Commission claimed $320,200 in CARES Plus Phase II reimbursable expenses for the period ending June 30, 2015. Phase II funds have three to one Commission and program partner match to each dollar of First 5 funding.

The Child Signature Program primary purpose in Orange County is to increase quality in early learning programs for children zero to five in identified Early Childhood Education centers where the educational divide is greatest. The program focuses on providing quality improvement support through training and technical assistance to local centers. The Commission participated in Child Signature Program (CSP) RFA #2 and RFA #3 and claimed reimbursable expenses of $33,765 and $3,569,197 to First 5 California for the period ending June 30, 2015. CSP RFA #3 has a one to one Commission and program partner match to each dollar for First 5 funding.

NOTE 14 – ADVANCES TO OTHERS

Advances to others as of June 30, 2015 were $9,027,458. Advances to others include catalytic funds advanced to service providers. The Commission invested in catalytic programs expanding the service capacity of service providers in both Early Learning and Homeless Prevention. In August 2012, the Commission advanced $5,000,000 to Think Together. The purpose of the advance was to develop a strategic partnership to develop early literacy and math programs and guide the implementation in Orange County, maintain early literacy programs and expand early math as programs become available, and create an opportunity to leverage other funding sources to support the material costs and sustain the program. In December 2013, the Commission advanced $6,250,000 to HomeAid Orange County to construct emergency shelters to serve homeless families with young children, provide operational support for no less than five years, including staffing and direct services for additional emergency shelter beds, and leverages matching funds obtained by implementing agencies for continued operational support. The advanced funds are expensed as services are provided.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

A total prior period adjustment of $4,415,926 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability. The restatement of beginning net position is summarized as follows:

	June 30, 2014 Previously Presented	Restatement	July 1, 2014 Restated
Prepaid Pensions	$ 282,162	$ (141,081)	$ 141,081
Net Pension Liability	-	(4,590,845)	(4,590,845)
Deferred Outflows	-	316,000	316,000
Net Position	64,690,535	$ (4,415,926)	60,274,609

REQUIRED SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2015

	6/30/2015
Proportion of the net pension liability	0.078%
Proportionate share of the net pension liability	$3,957,426
Covered - employee payroll	$1,074,627
Proportionate share of the net pension liability as a percentage of covered-employee payroll	368.26%
Plan fiduciary net pension as a precentage of the total pension liability	67.15%

Notes to Schedule:

For GASB purposes, covered employee payroll represents gross salary

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

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF COMMISSION CONTRIBUTIONS
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2015

	FY 2015
Contractually required contribution (actuarially determined)	$357,000
Contributions in relation to the actuarially determined contributions	357,000
Contribution deficiency (excess)	-
Covered-employee payroll	$1,038,060
Contributions as a percentage of covered- employee payroll	34.39%

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown from the information available.

OTHER SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
SCHEDULE OF FIRST 5 CALIFORNIA FUNDING
YEAR ENDED JUNE 30, 2015

First 5 California Funding

Program Title		Revenue* F5CA Funds	Expenditures
CARES Plus Phase II	F5CA Program Funds	$ 320,200	$ 320,200
	County, Local Funds		960,600
CSP RFA #2	F5CA Program Funds	$ 33,765	$ 33,765
	County, Local Funds		-
CSP RFA #3	F5CA Program Funds	$ 3,568,371	$ 3,568,371
	County, Local Funds		3,568,371

* For the purpose of this schedule, the revenue reported, in amount of $320,200 for CARES Plus Phase II, $33,765 for Child Signature Program RFA #2, and $3,568,371 for Child Signature Program RFA #3 represents the amount claimed by the Commission. For governmental fund or modified accrual financial reporting purposes, $3,902,594 of this amount was identified as unavailable revenue as it was not received within the Commission's period of availability to recognize revenue as described in Note 1.

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY
STATISTICAL SECTION [1]
(UNAUDITED)

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

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

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

STATISTICAL

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2015*	2014	2013	2012
Net investment in capital	$ -	$ -	$ -	$ -
Unrestricted	54,471,707	64,690,535	72,411,134	78,984,810
Total net position	$ 54,471,707	$ 64,690,535	$ 72,411,134	$ 78,984,810

* First year of implementation for GASB No. 68

Schedule 1

Fiscal Year					
2011	2010	2009	2008	2007	2006
$ 235	$ 798	$ 2,301	$ 5,121	$ 7,942	$ 11,419
30,063,595	102,842,804	122,720,258	142,142,025	151,578,753	152,265,738
$ 30,063,830	$ 102,843,602	$ 122,722,559	$ 142,147,146	$ 151,586,695	$ 152,277,157

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2015	2014	2013	2012
Expenses:				
Governmental activities:				
Salaries and benefits	1,689,772	1,747,564	1,704,815	2,094,872
Expenses related to "Zero to Five"	34,608,366	36,672,235	33,341,947	31,129,369
Services and supplies for State School				
Extraordinary Item: Accrual of AB99 liability				
Total expenses	36,298,138	38,419,799	35,046,762	33,224,241
Program revenues:				
Governmental activities:				
Program revenues				
Prop 10 Tobacco taxes	$ 25,943,624	$ 26,395,725	$ 27,024,505	$ 28,988,350
Operating grants and contributions				
Prop 10 State School Readiness				
First 5 CARES Plus	575,300	269,033	237,504	435,487
First 5 Child Signature Program	3,350,818	2,719,243	90,171	
Other State operating grants and				
Federal operating grants	260,297	902,242	668,105	592,725
General revenues				
Investment income earned on tobacco taxes at the State Level (SMIF)	8,082	7,071	9,588	11,612
Investment income	206,029	349,366	122,358	481,976
Other revenue	151,086	56,520	320,180	265,632
Extraordinary Item: Reversal of AB99 liability				51,369,439
Total revenues	$ 30,495,236	$ 30,699,200	$ 28,472,411	$ 82,145,221
Net (expense) revenue	$ (5,802,902)	$ (7,720,599)	$ (6,574,351)	$ 48,920,980

Fiscal Year					
2011	2010	2009	2008	2007	2006
2,290,308	2,415,467	2,439,415	2,323,471	2,258,080	2,241,058
49,431,678	46,836,184	54,377,591	51,331,591	42,972,440	36,171,992
	6,844,534	5,660,307	5,959,517	5,856,371	4,921,544
51,369,439					
103,091,425	56,096,185	62,477,313	59,614,579	51,086,891	43,334,594
$ 28,809,921	$ 29,706,126	$ 33,396,055	$ 35,494,096	$ 37,356,314	$ 39,332,323
	4,349,489	4,294,144	4,114,774	1,706,125	2,554,681
	145,834	104,166	352,597	669,897	330,598
641,124	752,152	1,020,269	1,020,556	2,237,302	307,741
15,331	82,000	82,479	190,332	430,669	203,588
818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090
26,983	40,509	210,659	148,113	41,527	176,257
$ 30,311,653	$ 36,217,228	$ 43,052,726	$ 50,175,030	$ 50,396,428	$ 49,411,278
$ (72,779,772)	$ (19,878,957)	$ (19,424,587)	$ (9,439,549)	$ (690,463)	$ 6,076,684

FUND BALANCES - GENERAL FUND
LAST TEN FISCAL YEARS

	Fiscal Year			
	2015*	2014*	2013*	2012*
FUND BALANCES				
Nonspendable fund balance	$ 9,340,291	$ 10,782,162	$ 5,624,041	$ 65,657
Restricted fund balance				
Committed fund balance	30,112,816	34,561,184	44,990,092	45,090,000
Assigned fund balance	15,589,112	16,374,998	21,350,266	33,560,512
Unassigned fund balance				
Total fund balances	$ 55,042,219	$ 61,718,344	$ 71,964,399	$ 78,716,169
Reserved				
Reserved for encumbrances				
Reserved for contractual obligations				
Reserved for capital projects				
Reserved for First 5 California initiatives				
Unreserved				
Designated for program operations				
Designated for future funding cycles and operating budget				
Unreserved				
Total fund balances				

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

Fiscal Year

2011*	2010	2009	2008	2007	2006
$ 399,279					
35,123,581					
(5,547,385)					
$ 29,975,475					
	$ 43,044,502	$ 70,245,812	$ 2,207,285	$ 22,151,367	$ 20,116,494
	24,677,280	27,017,022	68,027,433		33,553,325
	2,500,050	4,000,000	5,000,000		
			8,690,731	5,378,112	
	2,495,502	3,128,463			
	30,006,543	18,115,319	58,252,130	123,929,539	89,740,050
	$ 102,723,877	$ 122,506,616	$ 142,177,579	$ 151,459,018	$ 143,409,869

CHANGES IN FUND BALANCES - GENERAL FUND
LAST TEN FISCAL YEARS

	Fiscal Year			
	2015	2014	2013	2012
Revenues:				
Prop 10 Tobacco taxes	$ 25,943,624	$ 26,395,725	$ 27,024,505	$ 28,988,350
Prop 10 State School Readiness				
Other State operating grants and contributions	113719			
First 5 CARES Plus	272,815	306,465	217,258	145,487
First 5 Child Signature Program	2,666,529	117,853		
Investment income earned on tobacco taxes at the State Level (SMIF)	8,082	7,071	9,588	11,612
Federal operating grants	306,528	741,798	603,957	903,770
Investment income	206,029	349,365	122,358	481,976
Other revenue	151,086	282,705	320,180	90,786
Total revenues	29,668,412	28,200,982	28,297,846	30,621,981
Expenditures:				
Current:				
Salaries and benefits	1,736,171	1,774,802	1,708,344	2,094,972
Expenditures related to "Zero to Five" Program	28,193,233	31,347,721	28,712,645	31,155,080
Catalytic Round 1 and 2 Program Funding	6,415,133	5,324,514	4,629,302	
Services and supplies for State School Readiness program				
Capital outlay				
Total expenditures	36,344,537	38,447,037	35,050,291	33,250,052
Excess (deficiency) or revenues over (under) expenditures	(6,676,125)	(10,246,055)	(6,752,445)	(2,628,071)
Other Financing Sources (uses):				
Extraordinary Item: Accrual of AB99 liability				
Extraordinary Item: Reversal of AB99				51,369,439
Total changes in fund balance	$ (6,676,125)	$ (10,246,055)	$ (6,752,445)	$ 48,741,368

Fiscal Year

2011	2010	2009	2008	2007	2006
$ 28,809,921	$ 29,706,126	$ 33,396,055	$ 35,527,837	$ 37,356,314	$ 39,332,323
	4,349,489	4,294,144	4,114,774	10,461,757	
	145,834	104,166	352,597	669,897	311,792
15,331	82,000	82,479	190,332	430,669	
686,722	840,427	757,061	1,130,638	2,237,302	1,432,084
818,294	1,141,118	3,944,954	8,854,562	7,954,594	6,506,090
26,983	40,509	210,659	148,113	41,527	36,867
30,357,251	36,305,503	42,789,518	50,318,853	59,152,060	47,619,156
2,320,099	2,409,027	2,425,403	2,312,004	2,262,578	2,218,293
49,431,115	46,834,681	54,374,771	51,328,771	42,968,962	36,167,198
	6,844,534	5,660,307	5,959,517	5,856,371	4,921,544
51,751,214	56,088,242	62,460,481	59,600,292	51,087,911	43,307,035
(21,393,963)	(19,782,739)	(19,670,963)	(9,281,439)	8,064,149	4,312,121
(51,369,439)					
$ (72,763,402)	$ (19,782,739)	$ (19,670,963)	$ (9,281,439)	$ 8,064,149	$ 4,312,121

Schedule 5

FIRST 5 CALIFORNIA COUNTY TAX REVENUE CAPACITY

	Orange County	State Total
Actual Tobacco Tax Revenues Received (1)		
2004/2005	$40,175,154	$474,651,747
2005/2006	$39,332,323	$468,897,022
2006/2007	$37,356,302	$451,562,723
2007/2008	$35,527,837	$442,394,748
2008/2009	$33,396,055	$424,449,499
2009/2010	$29,706,126	$381,995,574
2010/2011	$28,809,921	$374,284,018
2011/2012	$28,988,350	$377,690,133
2012/2013	$27,024,505	$360,434,399
2013/2014	$26,395,725	$347,802,124
2014/2015	$25,943,624	$342,274,305
Projected Tobacco Tax Revenues (2)		
2015/2016	$23,801,860	$314,388,800
2016/2017	$22,903,732	$302,473,260
2017/2018	$22,036,874	$290,974,764
2018/2019	$21,200,199	$279,878,715

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

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

Schedule 6

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

FY 1959-60 TO 2013-14

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

Source: State Board of Equalization 2013-2014 Annual Report: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2013-14

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 wa

c. Includes sales of indicia purchased on credit. Effective July 16, 1961, distributors have been able to purchase tax indicia on credit.

d. From July 1, 2001, through September 9, 2001, the surtax rate on smokeless tobacco ranged from 131 percent for moist snuff to 490 percent for chewing tobacco. Effective September 10, 2001, the surtax rate on smokeless tobacco was lowered to 52.65 percent.

e. Effective January 1, 1999, the overall tax rate on cigarettes was increased from 37 cents to 87 cents per pack under voter-approved Proposition 10. The additional 50-cent-per-pack tax was imposed to raise funds for early childhood development programs. Excludes $87,978,766 in 1998-99 from the floor stocks taxes for both cigarettes and other tobacco products levied on January 1, 1999.

f. From July 1, 1998, through December 31, 1998, the surtax rate was 26.17 percent for other tobacco products. Effective January 1, 1999, the new surtax imposed under Proposition 10 raised the combined surtax rate to 61.53 percent for other tobacco products. The new surtax is equivalent (in terms of the wholesale costs of other tobacco products) to a 50-cent-per-pack tax on cigarettes.

g. Effective January 1, 1994, the overall tax rate on cigarettes was increased from 35 cents to 37 cents per pack. The additional 2-cent-per-pack tax was imposed to raise funds for breast cancer research and education.

h. Effective January 1, 1989, an additional 25-cent-per-pack surtax was imposed on cigarettes and a new 41.67 percent surtax was imposed on other tobacco products. Excludes $57,927,856 in 1988-89 and $595,000 in 1989-90 from the floor stocks tax levied on January 1, 1989.

i. Effective August 1, 1967, the tax rate was increased from 3 cents to 7 cents per pack. On October 1, 1967, the rate was further increased to 10 cents per pack, with the stipulation that 30 percent of the tax be allocated to cities and counties. Includes $6,515,209 from the 4-cent-per-pack floor stocks tax levied on August 1, 1967; and $4,889,485 from the 3-cent-per-pack floor stocks tax imposed October 1, 1967.

j. Refunds made for distributors' discounts in the 1960-61 fiscal year on purchases made in the 1959-60 fiscal year have been deducted. These refunds amounted to $3

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

l. Includes $2,673,048 from the 3-cent-per-pack floor stocks tax imposed July 1, 1959; and also includes the amount of distributors' discounts which were refunded after purchase of indicia. During July and August of 1959, the tax was collected by invoice and no discount was allowed on these collections of $8,123,700, nor on the $2,673,048 tax on floor stocks.

Schedule 7

STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2013-14

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

Source: State Board of Equalization 2012-2013: Annual Report Table 30B - Cigarette Distributions and Per Capita Consumption,1959-60 to 2013-14

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

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

ORANGE COUNTY DEMOGRAPHIC DATA

	2014**	2013**	2012**	2011**	2010**	2009*	2008*	2007*	2006*	2005*
Total Population	3,125,833	3,097,966	3,071,877	3,044,425	3,014,996	2,998,820	2,982,790	2,965,829	2,955,425	2,957,137
White	1,320,738	1,326,819	1,329,770	1,331,740	1,333,762	1,363,087	1,383,364	1,392,586	1,405,485	1,423,283
Hispanic	1,081,072	1,066,140	1,050,465	1,034,150	1,016,837	1,008,604	986,104	972,550	961,383	953,194
Asian & Pacific Islander	595,509	579,232	567,960	556,901	544,849	510,352	499,281	488,521	478,200	471,594
Black	46,221	45,500	45,210	44,929	44,640	44,641	44,520	44,336	44,328	44,454
Other/Multi-Race	82,293	80,275	78,472	76,705	74,908	72,136	69,521	67,836	66,029	64,612
Female	1,579,799	1,565,455	1,552,344	1,538,561	1,523,726	1,512,752	1,505,167	1,496,612	1,491,352	1,491,824
Male	1,546,034	1,532,511	1,519,533	1,505,864	1,491,270	1,486,068	1,477,623	1,469,217	1,464,073	1,465,313
Under 5 years	186,995	187,697	188,862	190,404	191,239	194,723	200,988	202,945	206,581	211,862
5-9 years	195,438	197,174	197,689	197,235	198,206	200,944	206,588	209,284	211,386	214,222
10-14 years	203,099	203,809	205,204	207,822	209,622	209,260	218,622	222,735	226,066	228,892
15-19 years	215,681	218,609	222,302	225,549	227,145	222,780	219,706	215,560	211,947	209,182
20-24 years	230,321	227,482	223,270	218,055	214,213	209,857	210,065	209,122	208,119	207,329
25-34 years	430,882	425,884	421,913	418,208	414,169	411,027	407,538	406,889	410,873	420,513
35-44 years	422,237	425,640	430,099	434,193	437,594	447,102	463,117	468,042	472,297	477,416
45-54 years	456,041	453,141	451,268	448,664	444,819	443,950	431,378	422,705	413,346	405,181
55-59 years	205,759	199,440	192,484	184,962	177,047	172,474	165,260	163,804	161,041	157,034
60-64 years	165,903	160,400	156,367	153,990	148,378	142,894	132,056	125,167	120,075	116,676
65-74 years	232,943	221,626	210,085	197,675	189,141	183,812	171,707	166,405	162,709	160,296
75-84 years	122,408	119,967	117,217	114,869	113,088	111,930	111,338	110,392	109,762	108,681
85+	58,126	57,097	55,117	52,799	50,335	48,067	44,427	42,779	41,223	39,853

Sources:

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

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

Schedule 9

LIVE BIRTHS, CALIFORNIA COUNTIES, 2003-2013 (By Place of Residence)*

COUNTY	YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
CALIFORNIA	**494,390**	**503,788**	**502,023**	**509,979**	**526,774**	**551,567**	**566,137**	**562,157**	**548,700**	**544,685**
ALAMEDA	19,050	19,550	19,002	19,302	20,320	20,972	21,519	21,058	20,902	20,919
ALPINE	6	8	6	4	4	13	13	13	15	8
AMADOR	269	285	269	272	295	288	294	274	288	262
BUTTE	2,372	2,397	2,392	2,454	2,439	2,518	2,519	2,633	2,451	2,354
CALAVERAS	328	347	326	346	338	373	397	393	371	322
COLUSA	306	314	302	338	361	367	386	389	381	345
CONTRA COSTA	12,173	12,061	12,057	12,352	12,680	13,136	13,485	13,565	13,143	13,279
DEL NORTE	317	302	337	372	333	312	356	365	327	285
EL DORADO	1,561	1,513	1,629	1,618	1,719	1,814	1,881	2,036	1,930	1,897
FRESNO	15,939	15,953	16,157	16,281	16,273	16,760	17,291	16,876	15,936	15,896
GLENN	391	368	391	434	424	472	434	455	431	398
HUMBOLDT	1,455	1,511	1,448	1,551	1,542	1,601	1,599	1,643	1,598	1,509
IMPERIAL	3,139	3,041	3,075	3,072	3,145	3,221	3,148	3,127	3,058	2,861
INYO	219	219	213	192	239	226	212	250	205	214
KERN	14,514	14,558	14,287	14,416	14,827	15,315	15,328	15,104	14,022	13,455
KINGS	2,417	2,357	2,565	2,507	2,644	2,710	2,781	2,683	2,554	2,549
LAKE	726	739	715	721	726	705	742	695	728	686
LASSEN	298	298	300	322	325	323	264	259	289	301
LOS ANGELES	127,194	131,697	130,312	133,160	139,679	147,684	151,813	151,837	150,377	151,504
MADERA	2,339	2,256	2,401	2,434	2,390	2,535	2,611	2,622	2,349	2,346
MARIN	2,310	2,306	2,385	2,368	2,495	2,716	2,819	2,734	2,785	2,792
MARIPOSA	137	161	132	145	155	147	141	159	122	150
MENDOCINO	1,077	1,153	1,061	1,059	1,100	1,168	1,145	1,106	1,121	1,125
MERCED	4,279	4,311	4,281	4,248	4,407	4,423	4,650	4,742	4,470	4,296
MODOC	72	78	87	119	85	92	80	80	81	85
MONO	142	131	156	151	139	175	161	192	153	170
MONTEREY	6,552	6,652	6,814	6,764	7,068	7,434	7,551	7,474	7,501	7,396
NAPA	1,501	1,431	1,572	1,525	1,653	1,671	1,665	1,754	1,658	1,604
NEVADA	812	810	761	793	758	871	844	804	819	818
ORANGE	37,429	38,186	38,100	38,237	40,431	42,456	44,026	44,231	44,065	45,060
PLACER	3,806	3,648	3,832	3,824	3,804	4,035	4,051	3,892	3,823	3,797
PLUMAS	156	151	165	170	154	175	186	172	176	173
RIVERSIDE	30,540	30,316	30,610	30,659	31,601	32,866	34,556	33,659	31,509	29,545
SACRAMENTO	19,439	19,618	19,998	20,055	20,426	21,389	22,110	21,952	21,184	20,836
SAN BENITO	763	701	772	735	752	816	882	885	892	887
SAN BERNARDINO	30,265	30,691	30,573	31,367	31,984	33,788	35,193	34,675	33,075	31,914
SAN DIEGO	42,676	44,391	43,621	44,838	44,960	46,742	47,545	46,876	45,897	45,758
SAN FRANCISCO	8,768	9,070	8,813	8,800	8,807	9,104	9,125	8,609	8,403	8,579
SAN JOAQUIN	10,179	10,129	10,328	10,593	10,872	11,030	11,592	11,782	11,495	11,010
SAN LUIS OBISPO	2,580	2,580	2,632	2,736	2,614	2,737	2,884	2,727	2,664	2,694
SAN MATEO	8,815	9,182	9,047	9,193	9,452	9,765	9,910	9,808	9,938	10,089
SANTA BARBARA	5,684	5,584	5,803	5,819	6,039	6,319	6,289	6,166	6,192	6,209
SANTA CLARA	23,224	24,308	23,652	23,936	25,200	26,730	27,484	26,942	26,553	26,537
SANTA CRUZ	3,005	3,084	3,232	3,190	3,301	3,538	3,571	3,600	3,385	3,399
SHASTA	2,051	2,110	2,021	2,136	2,069	2,186	2,230	2,191	2,123	2,046
SIERRA	19	19	23	23	21	22	24	14	35	18
SISKIYOU	462	501	472	434	477	498	512	493	470	467
SOLANO	5,161	5,061	5,158	5,047	5,392	5,607	5,847	5,801	5,737	5,688
SONOMA	5,157	5,144	5,150	5,391	5,683	5,761	5,742	5,896	5,613	5,964
STANISLAUS	7,644	7,592	7,737	7,804	7,941	8,549	8,826	8,728	8,445	8,061
SUTTER	1,290	1,258	1,326	1,360	1,433	1,468	1,497	1,577	1,484	1,342
TEHAMA	751	767	728	767	814	790	765	818	872	700
TRINITY	108	125	123	107	116	126	117	122	120	110
TULARE	7,854	8,000	7,966	8,155	8,362	8,533	8,505	8,284	8,168	7,957
TUOLUMNE	444	459	430	487	425	486	474	495	446	477
VENTURA	10,565	10,641	10,656	11,147	11,353	12,076	12,194	12,453	12,160	11,954
YOLO	2,430	2,452	2,340	2,426	2,483	2,669	2,522	2,646	2,453	2,404
YUBA	1,232	1,213	1,282	1,223	1,245	1,264	1,349	1,341	1,258	1,184

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

*Information for 2014 is not available.

CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2003-2013

	2013	2012	2011	2010
GOOD HEALTH				
Total percentage of women who received early prenatal care*	****	88.6%	88.7%	89.0%
Women with prenatal care in the first trimester*	****	33,814	33,780	34,018
Newborns with low birth weight (less than 2,500 grams)*	****	2,401	2,550	2,462
Percent of Newborns with low birth weight*	****	6.3%	6.7%	6.4%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth* (FY)	****	82	128	89
Children adequately immunized at age 2*	73.6%	75.7%	78.1%	74.8%
Infant Deaths*	****	130	160	147
Infant Mortality Rate (per 1,000 live births)*	****	3.4	4.2	4.0
Birth rates per 1,000 females ages 15-19 in Orange County*	****	19.1	20.1	21.4
Breastfeeding Percentages (any)*	94.0%	93.2%	93.2%	92.7%
Breastfeeding Percentages (exclusive)*	62.7%	62.1%	59.8%	55.6%
ECONOMIC WELL-BEING				
Children receiving financial assistance though CalWORKS* (FY)	43,916	45,950	46,809	42,793
Percent of children receiving CalWORKS of total population under 18* (FY)	6.1%	6.2%	5.9%	5.4%
Number of students receiving free and reduced lunch* (FY)	238,891	226,854	228,121	227,820
Percentage of students receiving free and reduced lunch* (FY)	47.9%	46.4%	45.4%	44.4%
Number of participants served by the WIC program* (FY)	92,303	98,219	103,563	100,434
Total number of child support cases* (FY)	70,608	77,582	89,852	100,056
Total child support collections $ (in millions)* (FY)	178.6	180.1	177.4	177.2
EDUCATIONAL ACHIEVEMENT				
Total public school enrollment* (FY)	501,801	502,195	502,895	502,239
Number of English leaner students* (FY)	123,290	130,076	126,226	141,605
Average $ expenditure per pupil for grades K-12* (FY)	7,943	7,817	7,722	7,852
Total number of students K-12 receiving special education* (FY)	51,905	51,613	51,208	51,394
SAFE HOMES AND COMMUNITIES				
Average monthly number of children in out-of-home care* (FY)	2,257	2,215	2,018	2,195
Average monthly number of dependents of the court* (FY)	2,862	2,791	2,795	3,050
Total number of finalized adoptions within 12 months legally free* (FY)	****	173	179	203
Total juvenile arrests for youth 10 to 17 years of age*	****	8,566	10,797	13,485
Total number of juveniles referred to probation, 10 to 18 years*	****	8,882	10,454	11,533

* The 20th Annual Report on the Condition of Children in Orange County 2014 presents dates through calendar year 2013. Data through FY 2014-15 not yet available.

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

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

**** Not yet available

2009	2008	2007	2006	2005	2004	2003
88.2%	87.8%	88.0%	91.0%	91.4%	91.7%	91.6%
35,650	37,267	38,727	38,364	38,365	41,306	41,516
2,670	2,705	2,879	2,816	2,826	2,782	2,718
6.6%	6.4%	6.5%	6.4%	6.4%	6.2%	6.0%
81	107	158	164	165	203	120
76.6%	81.1%	76.9%	78.9%	78.9%	77.6%	71.4%
165	202	187	224	211	179	200
4.1	4.8	4.2	5.1	4.8	4	4.4
23.6	25.9	27.7	29.9	29.8	30.1	30.7
88.0% ***						
39.2% ***						
35,962	31,932	32,040	33,618	36,245	37,384	38,997
4.5%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%
211,179	197,671	184,956	193,802	200,340	196,430	198,167
43.1%	40.0%	39.0%	39.0%	39.0%	38.0%	38.7%
104,622	117,188	107,595	95,635	98,635	99,115	97,882
103,598	94,860	94,769	97,425	98,503	99,134	102,040
180.3	179.6	179	176.8	176.9	171.9	166.1
504,136	503,255	503,955	510,114	513,744	515,464	512,105
140,887	142,833	141,762	144,118	149,535	153,055	159,145
8,724	8,844	8,008	7,360	6,944	6,750	6,715
51,486	51,047	51,131	52,243	51,049	51,514	50,236
2,466	2,668	2,562	2,394	2,566	2,772	2,939
2,453	3,687	3,468	3,210	3,425	3,706	4,007
211	203	228	212	259	283	251
14,341	14,914	14,988	14,021	12,985	12,989	13,548
11,531	12,456	11,900	10,852	10,772	10,092	10,491

Schedule 11

CAPITAL ASSETS STATISTICS

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

Schedule 12

PRINCIPAL EMPLOYERS

LAST YEAR AND NINE YEARS AGO

2015*

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	27,000	1	1.86%
University of California, Irvine	22,385	2	1.54%
St. Joseph Health System	12,227	3	0.84%
Kaiser Permanente	7,000	4	0.48%
Boeing Co.	6,890	5	0.48%
Wal-Mart Stores Inc.	6,000	6	0.41%
Memorial Care Health System	5,650	7	0.39%
Bank of America Corp.	5,500	8	0.38%
Target Corp.	5,400	9	0.37%
California State University, Fullerton	5,147	10	0.35%

2006**

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	21,000	1	1.29%
County of Orange	18,029	2	1.11%
University of California, Irvine	16,229	3	1.00%
Boeing Co.	12,042	4	0.74%
St. Joseph Health System	9,385	5	0.58%
Yum Brands Inc.	6,600	6	0.41%
Ameriquest Capital Corporation	6,300	6	0.39%
California State University, Fullerton	5,256	8	0.32%
PacifiCare	5,074	9	0.31%
Home Depot, Incorporated	5,000	10	0.30%

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

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

Schedule 13

EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of Employees by Function										
General Administration	3	3	4	6	7	7	7	8	7	8
Finance	2	2	1	2	2	2	2	1	2	3
Contracts Administration	4	4	4	4	5	5	5	5	5	5
Program Management & Evaluation	4	4	4	3	3	4	4	4	2	2
Total Employees	13	13	13	15	17	18	18	18	16	18

* Table presents Regular and Limited-Term Employees

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 5, 2015. Our report included an emphasis-of-matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, effective July 1, 2014.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 5, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Children and Families Commission of Orange County's (Commission), a component unit of the County of Orange, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2015.

Management's Responsibility

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

Auditors' Responsibility

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

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

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 Benefits Policies	2	Yes

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Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2015.

Purpose of Report

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

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 5, 2015