

**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, 2020

**Prepared by:**

**Michael Garcell, CPA (inactive)**

**Director of Finance**

**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
FOR THE YEAR ENDED JUNE 30, 2020**

**TABLE OF CONTENTS**

	Page(s)
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal.....	i
Board of Commissioners.....	v
Organization Chart.....	vi
Certificate of Achievement for Excellence in Financial Reporting.....	vii
<b>FINANCIAL SECTION:</b>	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information) .....	3
Basic Financial Statements:	
Statement of Net Position.....	15
Statement of Activities.....	16
Governmental Fund Balance Sheet.....	17
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	18
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	21
Notes to Basic Financial Statements.....	22
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability.....	44
Schedule of Commission Contribution - Pension.....	45
Schedule of Changes in Commission Net OPEB Liabilities .....	46
Schedule of Commission Contributions – OPEB.....	47
Supplementary Information	
Schedule of First 5 California Funding.....	48

CONTENTS

TABLE OF CONTENTS (CONTINUED)

**STATISTICAL SECTION:**

Financial Trends

- Net Position by Component..... 50
- Changes in Net Position..... 52
- Fund Balances – General Fund..... 54
- Changes in Fund Balance – General Fund..... 56

Revenue Capacity

- First 5 California County Tax Revenue Capacity..... 58
- State of California – Cigarette Taxes and Other Tobacco Products Surtax Revenue 59
- State of California – Cigarette Distributions and Per Capita Consumption..... 61

Demographic Information

- Demographic Data..... 62
- Live Births, California Counties..... 63
- Children’s Score Card Orange County..... 64

Operating Information

- Capital Asset Statistics..... 66
- Principal Employers..... 67
- Employees by Function..... 68

**COMPLIANCE REPORT:**

- Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 69
- Independent Auditor’s Report on State Compliance..... 71

CONFIDENTIAL



November 18, 2020

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

Dear Commissioners,

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

The CAFR has been audited by the independent certified public accounting firm of Eide Bailly, LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the Commission for the year ended June 30, 2020, 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, 2020. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Commission**

The Commission was established by the Orange County Board of Supervisors in September 1999 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development. The Commission's activities have been built to develop, adopt, promote and implement programs to support early childhood development. Since inception, the Commission has made a lasting positive impact in Orange County through its expenditures of approximately \$832 million toward grants, programs and operations that improve the well-being of young children and families in Orange County.

## Relevant Financial Policies

### Financial Plan

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

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

After a significant decline in tobacco tax revenue for Fiscal-Year 2017-2018 due to the lag in implementing the backfill provision of Proposition 56 passed in November 2016, an overall increase in tobacco tax revenue occurred in both Fiscal Year 2018-2019 and 2019-2020 due in part to Proposition 56 backfill. Given this overall volatility, the Board of Commissioners directed staff to develop three-year funding renewal recommendations, working under the direction of Commissioner-led funding renewal panels. Fiscal-Year 2019-2020 was the final year of the three-year cycle.

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

For the three-year funding cycle from Fiscal Year 2020-2021 to Fiscal Year 2022-2023, First 5 Orange County proposes to invest in each of the three funding categories. Recommended funding totals approximately \$35,000,00 over the three-year period, allocated as follows:

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

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

In April 2019, First 5 Orange County updated its Strategic Plan, claiming a vision that all Orange County children reach their full potential, and outlining new strategic directions to reach that vision including:

- Building committed leaders working for children and families;
- Engaging neighborhoods using Early Development Index results;
- Connecting the systems of care that serve children and families;
- Aligning First 5 Orange County investments for greatest impact using data-informed, mission-driven decision making; and
- Sustaining funding for early childhood services by working to secure new or repurposed funds.

The Commissioner-led panels for each funding category considered the updated Strategic Plan goals and strategic directions as part of their deliberations.

## **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 2019-2020 was adopted on April 3, 2019 with subsequent adjustments approved on December 4, 2019 and June 3, 2020. 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, 2019. This was the tenth consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Commission must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United State of America and applicable legal requirements.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly Goll". The signature is written in a cursive, flowing style.

Kimberly Goll  
President/CEO

CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
BOARD OF COMMISSIONERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

COMMISSION BOARD MEMBERS (9)

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

**Kenneth McFarland** (A)  
*Vice Chair*

**Debra Baetz** (M)  
*Social Services Agency*

**Sandra Barry** (A)

**Doug Chaffee** (M)  
*Board of Supervisors*

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

**Jackie Filbeck** (A)

**Yvette Lavery** (A)

**Susan McClintic** (A)

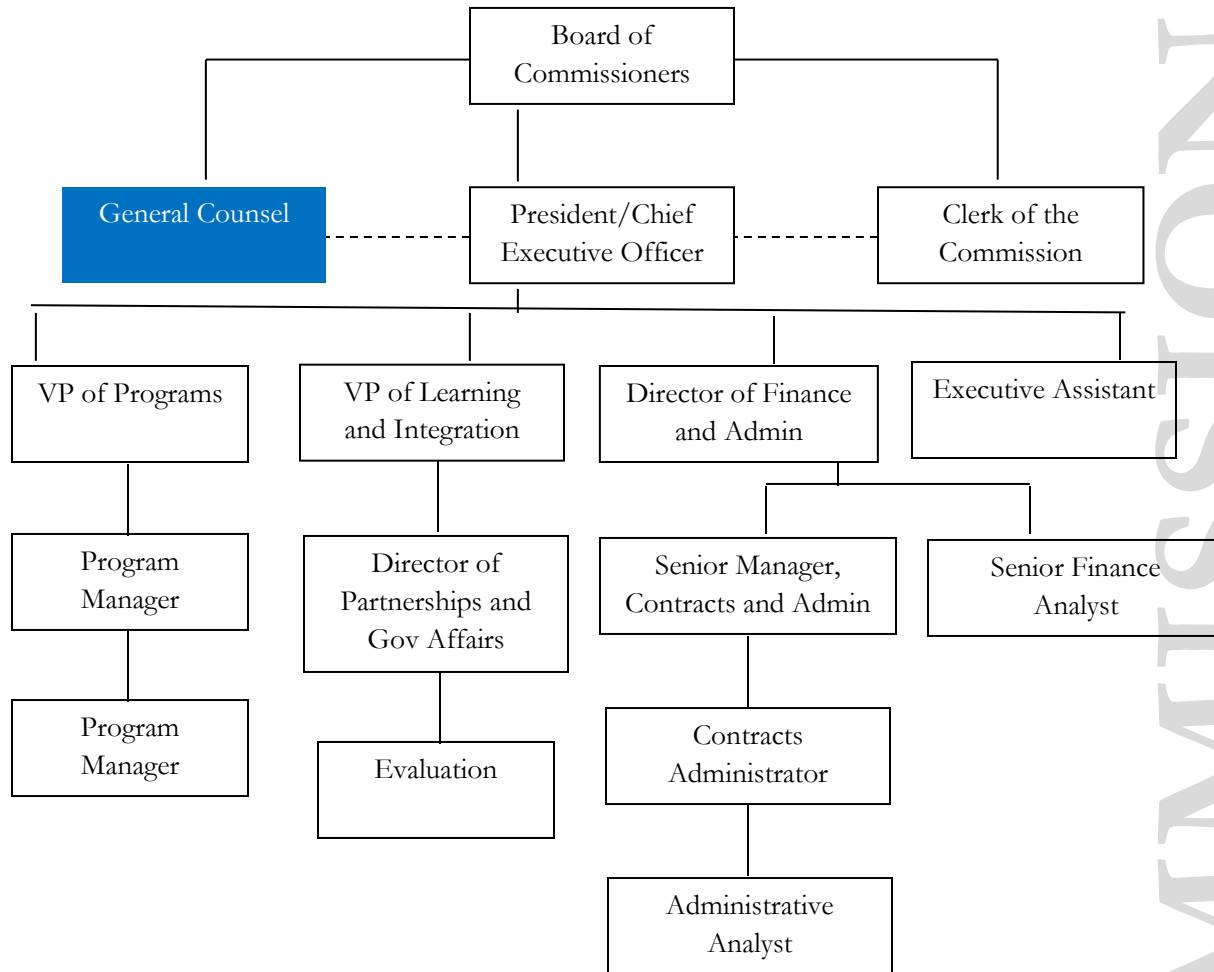
(M) Mandatory members

(A) At-large members

COMMISSION



**CHILDREN AND FAMILIES COMMISSION  
OF ORANGE COUNTY  
ORGANIZATION CHART  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



COMMISSION



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Children and Families Commission  
of Orange County, California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Laguna Hills, California  
November 16, 2020

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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, 2020. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Commission as reported on the Statement of Net Position exceeded its liabilities and deferred inflows of resources by \$47.1 million at the end of the current fiscal year, an increase of \$6.4 million (15.8%) from the prior fiscal year. The increase in Net Position is primarily due to the receipts of program reimbursement revenues, a one-time increase in tobacco tax revenue from backfill payments, and planned decreases in overall program spending.
- As of June 30, 2020, the Commission's governmental fund statements reported an ending fund balance totaling \$43.3 million, an increase of \$6 million (16.2%).
- The total ending fund balance of \$43.3 million was classified into the following categories: \$4 million as non-spendable, \$13.2 million as committed, and \$26.1 million as assigned.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

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

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

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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 \$47.1 million at the end of the current fiscal year, an 16% increase from the prior fiscal year's net position. Following is a summary of the government-wide Statement of Net Position comparing balances at June 30, 2020 and June 30, 2019.

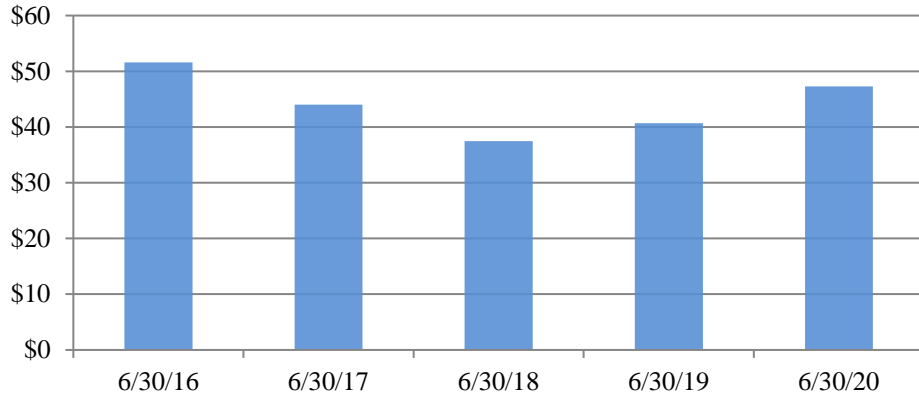
The Commission's net position as of June 30, 2020 is considered unrestricted because their use is not for a purpose narrower than the Commission's purpose and were comprised of the following:

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

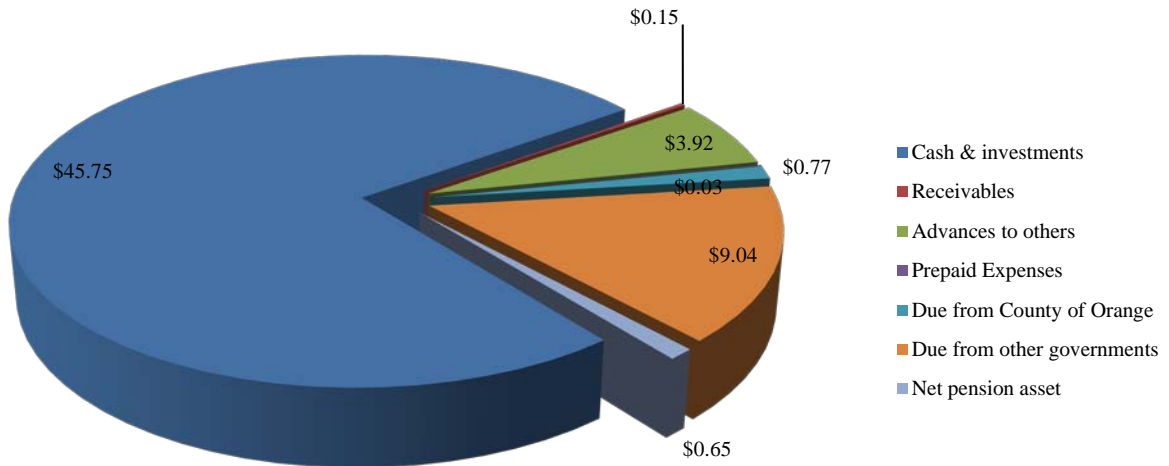
	FY 2019-20	FY 2018-19	Percent Increase (Decrease)
<b>Assets:</b>			
Cash and investments	\$ 45,738,453	\$ 38,633,125	18.4%
Imprest cash	10,000	10,000	0.0%
Interest receivable	153,484	253,633	-39.5%
Due from County of Orange	765,366	134,181	470.4%
Due from other governments	9,042,050	7,520,655	20.2%
Advances to others	3,923,410	3,870,545	1.4%
Prepays	30,702	0	100.0%
Net Pension Asset	646,473	0	100.0%
Total assets	<u>60,309,938</u>	<u>50,422,139</u>	19.6%
<b>Deferred Outflows of Resources:</b>			
Pension related amounts	17,957	124,083	-85.5%
OPEB related amounts	24,000	32,000	-25.0%
Total deferred outflows of resources	<u>41,957</u>	<u>156,083</u>	-73.1%
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	4,531,036	2,301,929	96.8%
Due to County of Orange	3,416	1,814	88.3%
Due to other governments	5,303,051	4,210,732	25.9%
Retentions payable	1,362,937	1,227,891	11.0%
Accrued wages and benefits	46,060	31,429	46.6%
Compensated absences:			
Payable within one year	64,538	63,780	1.2%
Payable after one year	21,080	4,657	352.7%
Net Pension Liability	0	630,611	-100.0%
Net OPEB Liability	245,000	290,000	-15.5%
Total liabilities	<u>11,577,118</u>	<u>8,762,843</u>	32.1%
<b>Deferred Inflows of Resources:</b>			
Pension related amounts	1,619,924	1,131,282	43.2%
OPEB related amounts	26,000	-	100.0%
Total deferred inflows of resources	<u>1,645,924</u>	<u>1,131,282</u>	45.5%
<b>Net Position:</b>			
Unrestricted	47,128,853	40,684,097	15.8%
Total net position	<u>\$47,128,853</u>	<u>\$40,684,097</u>	15.8%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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



**Assets  
As of June 30, 2020**





**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

Assets, Current and Other

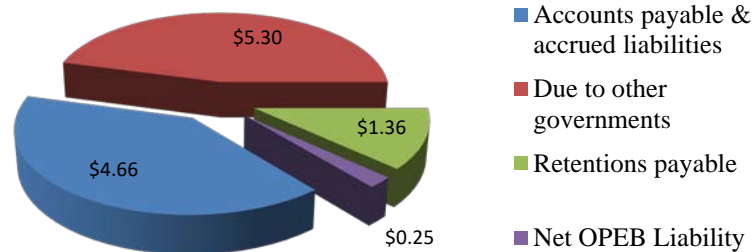
- Cash and investments totaled \$45.7 million. All \$45.7 million was invested in the Orange County Investment Pool (OCIP), except for a small petty cash fund held at the Commission. The investments in OCIP are managed by the County Treasurer and reviewed for compliance with the Commission's Annual Investment Policy. Cash and investments increased by 18.4% due to receipts of payments for program reimbursements.
- Due from other governments totaled \$9 million. Of this amount, \$3 million is Prop 10 tobacco tax revenue due from the State of California for May and June 2020 allocations and \$6 million for the First 5 California IMPACT and Hubs Programs, the California Department of Health Care Services Dental Transformation Initiative, and the Home Visitation Program.
- Advances to others totaled \$3.9 million and represents funds advanced to contractors for services not provided by June 30, 2020. Approximately \$2.8 million was remaining as an advance for Emergency Shelter Catalytic programs. The advances cover future periods up to Fiscal Year 2020/2021.
- Net pension asset of \$0.65 million is reported for the first time compared to a net pension liability of \$0.63 million in the prior year.
- Other current assets consist of \$0.18 million in interest and miscellaneous reimbursements.

Deferred Outflows of Resources

- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System, and the cost-sharing multiple-employer County of Orange Retiree Benefit Plan. As a participant, the Commission is required to report its proportionate share of deferred outflows of resources related to pensions and other post-employment benefits.
- Deferred outflows of resources include \$17,957 represent pension related amounts for measurement period ending December 31, 2019. Government Accounting Standards Board Statement No. 75 requires deferred outflows of resources related to other postemployments benefits (OPEB) be recognized in the Commission financial statements. Total deferred outflows related to OPEB are \$24,000 as of measurement date of December 31, 2019.
- Note 8 and 12 to the Commission financial statements provides further detail of all deferred outflows of resources reported in Fiscal Year 2019-2020.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Liabilities  
As of June 30, 2020**



**Liabilities**

- Accounts payable and due to other governments total \$9.8 million. Payables to grantees services not yet billed at June 30, 2020 are based on established contract terms. This balance represents a decrease of 51% from the prior year due to both timing of invoices for program partners and the increased program activity for First IMPACT and Hubs, California Department of Health Care Services Dental Transformation Initiative, and Home Visiting Program.
- Retentions payable total \$1.4 million. Retentions payable are held until end of contract audits are completed and received by the Commission to ensure compliance with contract terms.
- Other current liabilities total \$0.13 million consisting of amounts due to the County of Orange and accrued wages, benefits and compensated absences.

**Deferred Inflows of Resources**

- The Commission participates in a cost-sharing multiple-employer pension plan, the Orange County Employees Retirement System, and the cost-sharing multiple-employer County of Orange Retiree Benefit Plan. As a participant, the Commission is required to report its proportionate share of deferred inflows of resources related to pensions and other post-employment benefits.
- Governmental Accounting Standards Board Statement No. 68 requires deferred inflows of resources related to pensions be recognized in the Commission financial statements. Total deferred inflows of resources of \$1.6 million is the result of the differences between expected and actual experience, changes of assumptions, and changes in the Commission's proportionate share occurring over the measurement period ending December 31, 2019.
- Note 8 and 12 to the Commission financial statements provides further detail of all deferred inflows of resources recognized in Fiscal Year 2019-2020.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Changes in Net Position**

For the year ended June 30, 2020, current year operations increased the Commission’s net position by \$6.4 million. The increase is due to both the timing of revenues from outside program funding, increased tobacco tax revenue, and the overall planned reduction of program expenditures. The following is a summary of the Commission’s Statement of Activities comparing revenues, expenses and changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

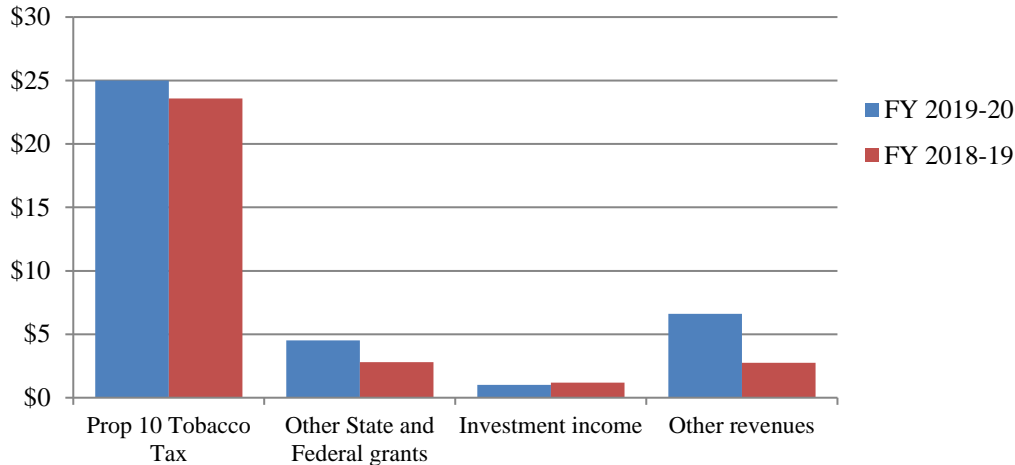
	FY 2019-20	FY 2018-19	Percent Increase (Decrease)
<b>Revenues:</b>			
<b>Program Revenues</b>			
Tobacco taxes	\$24,991,179	\$23,573,280	6.0%
Other State and Federal operating grants and contributions	4,427,158	2,795,566	58.4%
Interest income earned on tobacco taxes at the State	86,655	64,514	34.3%
Total program revenues	<u>29,504,991</u>	<u>26,433,360</u>	11.6%
<b>General Revenues</b>			
Investment income	1,021,339	1,188,495	-14.1%
Other revenues	6,599,710	2,680,689	146.2%
Total general revenues	<u>7,621,049</u>	<u>3,869,184</u>	97.0%
Total revenues	<u>37,126,041</u>	<u>30,302,544</u>	22.5%
<b>Expenses:</b>			
0-5 Child development programs	29,826,480	26,092,909	14.3%
Salaries and benefits	854,804	972,068	-12.1%
Total expenses	<u>30,681,284</u>	<u>27,064,977</u>	13.4%
<b>Change in net position:</b>			
Net position – July 1	40,684,097	37,446,530	8.7%
Net position – June 30	<u>\$47,128,853</u>	<u>\$40,684,097</u>	15.8%

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**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)**



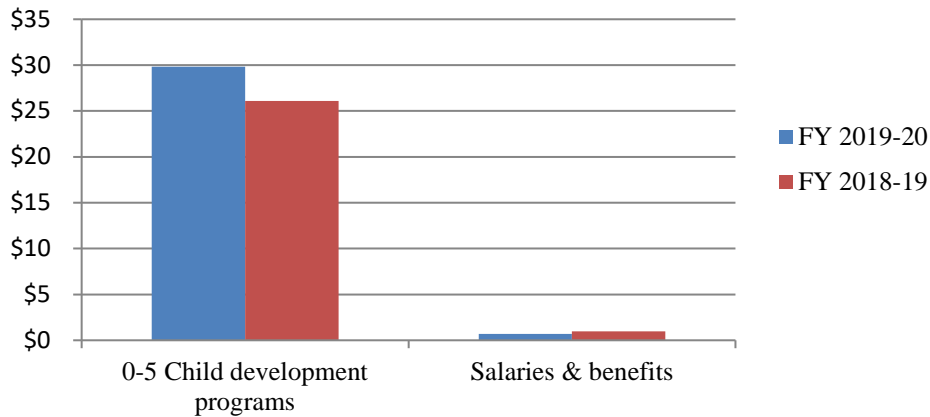
- *Program revenues*  
The Commission’s program revenues totaled \$29.5 million in Fiscal Year 2019-2020 and accounted for 79% of total revenues. This represented an increase of \$3 million (11.6%) from Fiscal Year 2018-2019 program revenues.
  - Tobacco Tax revenue includes revenues from taxes levied on tobacco products by the State of California and distributed amongst all counties based on the percentage of county birthrates as established in Proposition 10. This revenue increased by \$1.4 million from the prior fiscal year.
    - The increase in revenue is due to an increased backfill under Proposition 56 which increased sales tax of an additional \$2.00 per pack approved by voters.
  - Other State and Federal operating grants and contributions for Fiscal Year 2019/2020 includes revenue from the state-wide IMPACT and Hubs program reimbursements.
- *General revenues*  
The Commission’s general revenues totaled \$7.6 million in Fiscal Year 2019-2020 and accounted for 20.5% of total revenues. General revenues include all revenues that do not qualify as program revenues, such as investment income and other miscellaneous revenue reimbursements including the Dental Transformation Initiative and Home Visiting Program.
  - Investment income decreased by \$0.17 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 slightly lower investment returns on cash balances maintained by the Commission.
  - Other revenue increased due to additional reimbursements for the Dental Transformation Initiative and Home Visiting Programs by \$3.9 million or 146%.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Governmental Activities Expenses**

Total expenses increased by \$3.6 million (13.4%) from the prior fiscal year. The increase is due to increased reimbursable program funding specifically for First 5 CA IMPACT and Hubs, Dental Transformation Initiative, and Home Visiting Program.

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



- Zero-to-five child development programs increased by \$3.7 million (14.3%) from the prior fiscal year to fund programs serving children and families within the Commission’s four strategic goal areas of Healthy Children, Ready to Learn, Strong Families and Capacity Building. The increase is due to the previously mentioned reimbursable program funding specifically for First 5 CA IMPACT and Hubs, Dental Transformation Initiative, and Home Visiting Program. Overall, reduced program spending is a component of the Commission’s long-term financial plan. Prop 10 tobacco tax revenue has been and will continue as a declining revenues source. To focus on sustainability and service delivery while allowing for decreased revenue, the long-term financial plan incorporates a step-down approach to annual program funding over the next ten years.
- Salaries and benefits decreased by \$0.12 million (-12.1%) from the prior fiscal year due to the recognition of pension related amounts recognized on the government-wide statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND STATEMENTS**

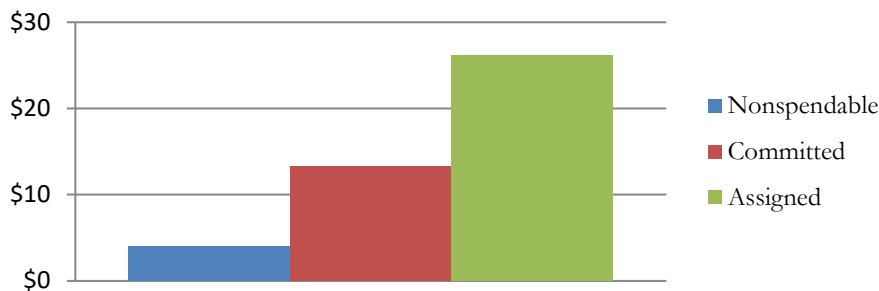
As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The activities are contained in the general fund of the Commission. The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources, both committed and available for future operational needs. Program revenues of approximately \$5.1 million were not received within the Commission's period of availability and, as such, are recorded as deferred inflows on the Governmental Fund Balance Sheet.

As of the end of the current fiscal year, the Commission's general fund reported total ending fund balance of \$43.3 million, an increase of \$6 million (16.2%) in comparison with the prior fiscal year.

**Fund Balance Classifications  
As of June 30, 2020  
(\$ 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 \$1.6 million. The amendment was based on budget carryovers for the First 5 IMPACT and Hubs programs.
- Total budgeted appropriations were increased by \$1.75 million in the 0-5 child development program expenditures line items not including amounts budgeted for Catalytic programs. The increases are due mostly to the addition of expenses related to new and carryover funding for grants funded by outside organizations.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Budget to Actual Comparisons**

This section contains an explanation of the significant differences between the Commission’s Final Budget amounts and actual amounts recorded for revenues and expenditures for Fiscal Year 2019-2020 as detailed on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

- Total actual revenues were above budgeted revenues in Fiscal Year 2019-2020 by over \$2.8 million due to the delayed receipt of revenue from the prior-year as well as a larger than expected tobacco tax backfill payment timing of revenue recognition.
- Total budgeted appropriations exceeded actual expenditures in Fiscal Year 2019-2020 by \$9.2 million due to program funds spent under the Bridges and Home Visitation Program and the timing of distributions of one-time Catalytic funds.
  - 0-5 child development program expenditures were less than budgeted appropriations by \$2.9 million. The underspend due mostly to the timing of expenditures related to the Dental Transformation Initiative, Bridges Maternal Health, and the CalWorks Home Visitation Program. The original appropriations for these programs represent total funds available through each program award, but each program has unique scheduling and timelines that guide when funds are expended.
  - Salaries and benefits actual expenditures were less than budgeted appropriations by \$0.27 million due to two vacant staff positions and underspending projections for different benefits.
  - Catalytic expenditures were less than budgeted appropriations by \$6.0 million. Fiscal Year 2019-2020 was the eighth year of Round 1 and 2 catalytic funds were disbursed. The total funding amount of approximately \$58.9 million was approved by the Commission as detailed below. Expenditures are recognized as services are provided and deliverables met for each separate Catalytic program. At budget adoption, the timing of Fiscal Year 2019-2020 distributions and expense recognition were not known. Each Catalytic program has a unique scope and budget. Final payment terms are included in the contracts approved by the Commission for each Catalytic program. Remaining Catalytic funding will be included in future year budgets as defined in the related Catalytic contract payment and deliverable schedules.

Commission Catalytic funding

Round 1:

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

Round 2:

Capacity Building	\$3,250,000
Partnership for Children’s Health	6,023,474
Prevention Services	500,000
Nutrition and Fitness	365,000
Pediatric Vision Services	1,500,000
Catalytic Unallocated and Matching Funds	2,766,695
	\$14,405,169

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The State Department of Finance projects a continuing decrease of tobacco revenue even though revenue did increase. This was due solely to the first full year of implementing the Proposition 56 backfill. The rate of decline is caused by both intended and unintended factors, which include federal legislation, state initiatives, First 5 California's education and outreach efforts, and comprehensive smoking cessation programs to reduce tobacco use. Demographic factors, specifically birthrates, also have an impact on the individual county allocations of the statewide tobacco revenue. In May 2016, Governor Brown signed five of six bills related to tobacco products. Two of the bills had an immediate impact on the amount of tobacco tax allocated to the Commission. The legal age to purchase or consume tobacco was increased from 18 to 21, and an annual Board of Equalization (BOE) licensing fee of \$265 for tobacco retailers replaced the former one-time fee. The new fee will create savings in the BOE fees the Commission pays annually resulting in additional revenue.

In November 2016, voters approved Proposition 56 adding a \$2.00 tobacco tax and expanding the definition of tobacco products. A backfill provision was included in Proposition 56. The Commission receives backfill payments that have varied in amount over the past three years. The long-term outlook is still estimated at an annual decline in the 3.5% range. The same rate the Commission has used for financial planning for years.

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

**REQUESTS FOR FINANCIAL INFORMATION**

This comprehensive annual financial report is intended to provide the public with an overview of the Commission's financial operations and condition for the fiscal year ended June 30, 2020. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President/CEO, Children & Families Commission of Orange County, 1505 East 17th Street, Suite 230, Santa Ana, California 92705



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 45,738,453
Imprest cash	10,000
Interest receivable	153,484
Due from County of Orange	765,366
Due from other governments	9,042,050
Prepays	30,702
Advances to others	3,923,410
Net pension asset	646,473
Total Assets	60,309,938
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related amounts	17,957
Other postemployment benefits	24,000
Total Deferred Outflows of Resources	41,957
<b>LIABILITIES</b>	
Accounts payable	4,531,036
Due to County of Orange	3,416
Due to other governments	5,303,051
Retentions payable	1,362,937
Accrued wages and benefits	46,060
Compensated absences:	
Payable within one year	64,538
Payable after one year	21,080
Net OPEB liability	245,000
Total Liabilities	11,577,118
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related amounts	1,619,924
Other postemployment benefits	26,000
Total Deferred Inflows of Resources	1,645,924
<b>NET POSITION</b>	
Unrestricted	47,128,853
TOTAL NET POSITION	\$ 47,128,853

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

	Expenses	Program Revenues Operating Grants And Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Child development	\$ 30,681,284	\$ 29,504,991	\$ (1,176,293)
General Revenues:			
Investment income			1,021,339
Miscellaneous			6,599,710
Total General Revenues			7,621,049
Change in Net Position			6,444,756
Net Position, July 1			40,684,097
Net Position, June 30			\$ 47,128,853

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2020**

	General Fund
<b>ASSETS</b>	
Cash and investments in County Treasury	\$ 45,738,453
Imprest cash	10,000
Interest receivable	153,484
Due from County of Orange	765,366
Due from other governments	9,042,050
Prepaid Expenses	34,911
Advances to others	3,923,410
Total Assets	\$ 59,667,674
 <b>LIABILITIES</b>	
Accounts payable	\$ 4,531,036
Due to County of Orange	3,416
Due to other governments	5,303,051
Retentions payable	1,362,937
Accrued wages and benefits	46,060
Total Liabilities	11,246,500
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - unavailable revenue	5,095,505
Total Deferred Inflows of Resources	5,095,505
 <b>FUND BALANCES</b>	
Nonspendable fund balance	3,958,321
Committed fund balance	13,237,942
Assigned fund balance	26,129,406
Total Fund Balances	43,325,669
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 59,667,674

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, 2020**

Fund balances of governmental funds	\$	43,325,669
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Prepaid expense included as a deferred outflow on the accrual basis used in the government-wide statements		(4,209)
Net pension asset related to governmental activities are not		646,473
Deferred outflows of resources:		
Pension related amounts		17,957
Other postemployment benefits		24,000
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated Absences		(85,618)
Net OPEB Liability		(245,000)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.		5,095,505
Deferred inflows of resources:		
Pension related amounts		(1,619,924)
Other postemployment benefits		(26,000)
Net Position of governmental activities	<u>\$</u>	<u>47,128,853</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
<b>REVENUES</b>	
Prop 10 Tobacco Tax	\$ 28,541,094
Investment income earned on tobacco taxes at the State level	151,169
Other State operating grants and contributions	1,238,020
Federal operating grants	193,505
Investment income	1,021,339
Other revenue	6,259,051
Total Revenues	37,404,178
<b>EXPENDITURES</b>	
Current:	
Salaries and benefits	1,545,217
Expenditures related to the "Zero to Five" Programs	26,470,166
Catalytic Round 1 and 2 Program Funding	3,356,314
Total Expenditures	31,371,697
Change in Fund Balance	6,032,481
FUND BALANCE, July 1	37,293,188
FUND BALANCE, June 30	\$ 43,325,669

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, 2020**

Net changes in fund balance - total governmental funds \$ 6,032,481

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in fund balance differs from the amounts reported in the statement of activities because:

Governmental funds report pension contributions and OPEB contributions as expenditures. However, in the Statements of Activities, pension and OPEB expense is measured as the change in the net pension and net OPEB liability and the amortization of deferred outflows and inflows related to pensions and OPEB. This amount represents the change in pension and OPEB related amounts.

Pension related amounts	716,595
Other postemployment benefits related amounts	(9,000)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.	(17,181)
--	----------

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.	(278,139)
--	-----------

Change in net position of governmental activities	\$ 6,444,756
---	--------------

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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Prop 10 Tobacco Tax	\$ 22,336,249	\$ 22,336,249	\$ 28,541,094	\$ 6,204,845
Investment income earned on tobacco taxes at the State level	-	-	151,169	151,169
Other State operating grants and contributions	2,469,616	4,074,616	1,238,020	(2,836,596)
Federal operating grants	180,000	180,000	193,505	13,505
Investment income	100,000	100,000	1,021,339	921,339
Other revenue	7,881,225	7,881,225	6,259,051	(1,622,174)
Total Revenues	<u>32,967,090</u>	<u>34,572,090</u>	<u>37,404,178</u>	<u>2,832,088</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	1,819,073	1,819,073	1,545,217	273,856
Expenditures related to the "Zero to Five" Program	27,650,460	29,405,450	26,470,166	2,935,284
Catalytic Round 1 and 2 Program Funding	9,357,323	9,357,323	3,356,314	6,001,009
Total Expenditures	<u>38,826,856</u>	<u>40,581,846</u>	<u>31,371,697</u>	<u>9,210,148</u>
Net Change in Fund Balance	(5,859,766)	(6,009,756)	6,032,481	6,378,060
FUND BALANCE, July 1	<u>34,804,693</u>	<u>34,566,865</u>	<u>37,293,188</u>	-
FUND BALANCE, June 30	<u>\$ 28,944,927</u>	<u>\$ 28,557,109</u>	<u>\$ 43,325,669</u>	<u>\$ 6,378,060</u>

See accompanying notes to the basic financial statements.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

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

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

**Basis of Accounting and Measurement Focus**

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

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

Government-Wide Financial Statements

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

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



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

Government-Wide Financial Statements, (Continued)

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

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

Fund Financial Statements

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

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

Fair Value Measurement

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission does not have any investments that are measured using Level 3 inputs.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

Deferred Outflows and Inflows of Resources

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

Capital assets, net of accumulated depreciation

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

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

**Adjustments Between Fund Financial Statements and Government-Wide Financial Statements**

Prepaid Pension

Prepaid pension contributions are reported as a prepaid asset in the fund financial statements and in the Statement of Net Position. The prepaid pension contributions, at the fund level, pertain to the contributions required for the related payroll periods of July 1, 2019 to June 30, 2020. A remaining balance of \$4,209 is reported as of June 30, 2020 after all contributions for the fiscal year were deducted from the prepaid account. Because the next actuarial valuation to determine the Commission's net pension liability will occur on December 31, 2020, the prepaid contributions are recognized as a deferred outflow of resources on the government wide statements to account for the portion that will be applied to the calculation of net pension liability. No additional prepayments were made during the year for contributions required beginning July 1, 2020.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

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

Long-Term Liabilities

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

Pensions

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

In general, the Commission recognizes a net pension liability/asset, which represents the Commission's proportionate share of the excess of the total pension liability/asset over the fiduciary net position reflected in the actuarial report provided by the Orange County Employees Retirement System (OCERS). The net pension liability/asset is measured as of OCERS' prior fiscal year end December 31, 2019 and is reported on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Changes in the net pension are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

Other Postemployment Benefits ("OPEB")

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

The following timeframes are used for OPEB reporting:

OPEB	
Valuation Date	June 30, 2019
Measurement Date	December 31, 2019
Measurement Period	January 1, 2019 to December 31, 2019

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

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

**Due to other governments**

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

**Retentions payable**

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

**Use of Estimates**

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

**Budget and Budget Reporting**

The Commission is required by County ordinance to prepare a budget each year based on estimates of revenues and expected expenditures. The Commission's Board of Commissioners adopted an annual budget of expenditures for the year ended June 30, 2020, which is prepared on the modified accrual basis of accounting. The accompanying statement of revenues, expenditures and changes in fund balance – budget and actual includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level.

**Fund Balance**

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission established the following classifications and definitions of fund balance for the year ended June 30, 2020:

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

**Fund Balance (Continued)**

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

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

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

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

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

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

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

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

**Encumbrances**

The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Encumbrances of \$16.6 million represent Board-approved future year contracts for Catalytic Programs (\$4.6 million) and annual programs and operations (\$12 million). The most significant Catalytic Program encumbrance is for Children's Dental (\$3.5 million). The two largest program encumbrance balances are for the Dental Transformation Initiative (\$6.2 million) and Bridges: Maternal Child Health Network (\$2.5 million). Encumbrances for Catalytic Programs are reported in Committed fund balance and encumbrances for other programs are reported in Assigned fund balance.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

**Pensions**

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

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

Effective This Fiscal Year

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

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

**GASB Statement No. 95**

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncement section have been updated to reflect the postponed effective dates.

GASB has issued the following pronouncements prior to June 30, 2020, that have effective dates which may impact future financial statement presentation. The effect of these statements is currently under review by the Commission:

**GASB Statement No. 87**, Leases.

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

**GASB Statement No. 90**, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*.

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

**GASB Statement No. 92**, *Omnibus 2020*.

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

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

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 2 – CASH AND INVESTMENTS**

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

Cash and investments in County Treasury	\$ 45,738,453
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 45,748,453</u>

Cash and investments consisted of the following at June 30, 2020:

Orange County Investment Pool:	
Equity in pooled Money Market fund	\$ 45,738,453
Imprest Cash	<u>10,000</u>
Total Cash and Investments	<u>\$ 45,748,453</u>

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

Authorized investment instruments include:

- Certificates of Deposit (insured or collateralized)
- Orange County Investment Pool
- “AAA” rated Money Market Mutual Funds
- U.S. Treasury securities
- U.S. Government Agency securities: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB)

All Money Market Mutual Funds must be 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. Money Market Mutual Funds that do not maintain a constant NAV (Net Asset Value) will be prohibited.

The Commission is a participant in the County Treasurer’s Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2020, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2020, the Commission held no individual investments. All funds are invested in OCIP.

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

Deposits and withdrawals in the OCIP are made based on \$1 and not fair value. Accordingly, the Commission’s proportionate share of investments in the OCIP at June 30, 2020 of \$45,738,453 is measured based on an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission (“State Commission”) for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2020, were as follows:

Due from State Commission:	
Prop 10 revenue for:	
May 2020	\$1,228,666
June 2020	1,745,649
Surplus Money Investment Fund Allocations	86,655
First 5 IMPACT and Hubs Program	4,124,540
Due from other governmental agencies for:	
California Department of Healthcare Services	1,856,540
Total Due from Other Governments	<u>\$9,042,050</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020, were as follows:

Due to government agencies:	
FY 2019-2020 Contract Payment Accruals	\$ <u>5,303,051</u>
Total Due to Other Governments	\$ <u><u>5,303,051</u></u>

**NOTE 5 – COMPENSATED ABSENCES**

The vested compensated absences liability balance at June 30, 2020 consists of the following activity:

Balance			Balance	Due Within
<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>One Year</u>
<u>\$68,437</u>	<u>\$188,518</u>	<u>\$171,337</u>	<u>\$85,618</u>	<u>\$64,538</u>

**NOTE 6 – FUND BALANCE**

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance as of June 30, 2020 consists of the following:

	<u>June 30, 2020</u>
Nonspendable:	
Prepays and Advances	\$3,958,321
Committed for:	
Catalytic Round 1 and 2 programs	13,237,942
Assigned for:	
Approved contracts	<u>26,129,407</u>
Total fund balance	<u><u>\$43,325,670</u></u>

Fund Balance Category Descriptions

Nonspendable – consists of prepaid retirement contributions for Fiscal Year 2019-2020. Refer to Note 8 for further details. Included in Nonspendable are Catalytic funding amounts advanced to grantees for project scopes not completed by June 30, 2020.

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

Assigned for approved contracts – consists of Fiscal Year 2020-2021 programs that were approved by Commission action and included in the Fiscal Year 2020-2021 Operating Budget.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 7 – CONTINGENCIES**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

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

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

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

**General Information about the Pension Plan**

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

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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

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

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

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

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

**Contributions.** The Commission contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate for the first six months of calendar year 2019 or the first half of fiscal year 2018-2019 (based on the December 31, 2016 valuation) was 36.56% of compensation. The average employer contribution rate for the last six months of calendar year 2019 or the first half of fiscal year 2019-2020 (based on the December 31, 2017 valuation) was 37.97% of compensation. Contributions recognized by the plan in FY 2019-20 were \$117,300.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The average member contribution rate for the first six months of calendar year 2019 or the second half of fiscal year 2018-2019 (based on the December 31, 2016 valuation) was 12.01% of compensation. The average member contribution rate for the last six months of calendar year 2019 or the first half of fiscal year 2019-2020 (based on the December 31, 2017 valuation) was 12.63% of compensation.

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

At June 30, 2020, the Commission reported a net pension asset of (\$646,473) for its proportionate share of the net pension liability (NPL)/(asset). The NPL/(asset) was measured as of December 31, 2019. Plan Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuation as of December 31, 2018. At December 31, 2019, the Commission's proportion was -0.013% percent allocated based on the actual employer contributions within the Commission's rate group. This represents a decrease from 0.023%, from the proportionate measured as of December 31, 2018.

For the year ended June 30, 2020, the Commission recognized pension expense of (\$595,594). As of June 30, 2020, 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	\$62,383	
Changes in proportion and differences between employer contributions and proportionate share of contributions		\$1,652,118
Changes of assumptions or other inputs	(48,635)	(1,512)
Difference between expected and actual experience		(30,682)
Commission contributions subsequent to the measurement date	4,209	
<b>Total</b>	<b>\$17,957</b>	<b>\$1,619,924</b>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

Amounts reported as contributions made subsequent to the measurement date of \$4,209 will be recorded as an addition to net pension asset in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$	(471,966)
2022		(411,273)
2023		(342,312)
2024		(217,925)
2025		(162,700)
	<u>\$</u>	<u>(1,606,176)</u>

**Actuarial assumptions.** For the measurement period ended December 31, 2019 (the measurement date), total pension liability (TPL) was determined by rolling forward the December 31, 2018 (the valuation date) total pension liability. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2014 through December 31, 2016.

Net investment return: 7.00%

Inflation 2.75%

Salary Increases General: 4.25% to 12.25% and Safety: 4.75% to 17.25%, varying by service, including inflation

Cost of Living Adjustments 2.75% of retirement income

Post – Retirement Mortality Rates:

*Healthy:* For General Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2016 projection scale.

*Disabled:* For General Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward five years, projected generationally with the two-dimensional MP-2016 projection scale.

*Beneficiaries:* Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016, weighted 40% male and 60% female.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

The long-term expected rate of return on pension plan investments<sup>1</sup> was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2019 actuarial valuation. This information will change every three years based on the actuarial experience study.

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

**Discount rate.** The discount rate used to measure the TPL was 7.00% as of December 31, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2019.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

*Sensitivity of the Commission’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the Commission’s proportionate share of the NPL/(asset) calculated using the discount rate of 7.00%, as well as what the Commission’s NPL would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	(\$34,892)	(\$646,473)	(\$1,143,934)

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

**NOTE 9 – COMMITMENTS**

The Commission leases office space from a third party under a long-term operating lease. The latest lease expires on October 31, 2021 (Fiscal Year 2021-2022) and is non-cancellable. The future minimum rental payments due under the lease are as follows.

Fiscal Year 2020-2021	\$ 74,708
Fiscal Year 2021-2022	25,072

Rent expense was \$72,844 for the year ended June 30, 2020.

**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, 2020 was \$21,842. The Commission incurred expenses totaling \$343,428 for all other County services provided during the year ended June 30, 2020. The amount owed to the County of Orange for related party transactions at June 30, 2020 was \$3,416.

The Commission paid \$744,033 of service provider grants to organizations represented by a member of the Board of Commissioners, although all members abstain from all votes regarding funding to the organization represented. The Commission incurred a total of \$1,193,222 in expenses paid to the County of Orange for program services delivered by the Health Care Agency and Social Services Agency.



**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020, the Commission expended \$581,489 for program evaluation.

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

At June 30, 2020, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follows:

**Deferred outflows of resources:**

OPEB contributions subsequent to the measurement date	\$20,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,000
	\$24,000

**Deferred inflows of resources:**

Differences between expected and actual experience	6,000
Changes in assumptions	10,000
Net difference between projected and actual earnings on plan investments	6,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,000
	\$26,000

**Net OPEB Liability:** \$245,000

**Plan Description.** In accordance with the Commission’s participation agreement entered into in July 2007, the Commission is a participant in the County of Orange Retiree Medical Plan (the Plan). The Plan is a cost-sharing multiple employer defined benefit retiree medical plan. The Plan provides a grant for medical benefits to eligible retirees and their dependents and lump-sum payments for employees separating from employment prior to being eligible for the grant. The County Board of Supervisors maintains the authority to establish and amend the Plan’s benefit provisions. The financial statements and required supplementary information of the Plan are included in the County of Orange’s fiscal year 2019-2020 Comprehensive Annual Financial Report (CAFR). The Commission is reported in the County’s CAFR as a discretely presented component unit. That report may be obtained by contacting the County of Orange, Auditor Controller, 12 Civic Center Plaza, Room 200, Santa Ana, California 92702.

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

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

**Contribution.** The Commission makes contributions to the plan equal to the actuarially determined contribution. The percentage contributions are established by a Participation Agreement with the County of Orange. All contributions are employer contributions and are made through the County of Orange payroll system. For the fiscal year ended June 30, 2020, the Commission's contributions were \$42,300.

At June 30, 2020, the Commission reported a liability of \$245,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The Commission's proportion of the net OPEB liability was based on a projection of the Commission's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating member agencies, actuarially determined. At December 31, 2019, the Commission's proportion was 0.0688 percent, a decrease of .0010% from the prior measurement date.

For the fiscal year ended June 30, 2020, the Commission recognized OPEB expense of \$29,000. As of fiscal year ended June 30, 2020, the Commission reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to the measurement date	\$20,000	
Differences between expected and actual experience		\$6,000
Changes of assumptions		10,000
Net difference between projected and actual earnings on plan investments		6,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,000	4,000
<b>Total</b>	<u>\$24,000</u>	<u>\$26,000</u>

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

The \$20,000 reported as deferred outflows of resources related to contributions subsequent to the December 31, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows Of Resources
2021	5,000
2022	5,000
2023	3,000
2024	6,000
2025	2,000
2026+	1,000
	<b>\$22,000</b>

Actuarial Assumptions: The total OPEB liability in the June 30, 2019 valuation date was determined using the following significant actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Funding Policy	Employer contributes full ADC Starting 2021/22 Employer will contribute ADC for cash benefit and pay the blended rates benefit on a pay-as-you-go basis
Discount rate	7.00%
Long-Term Expected Rate of Return on Investments	7.00%, net of investment expenses
General Inflation	2.75% per annum
Payroll Increases (1)	Aggregate Increases – 3.25%
Grant Increase Rate	AFSCME – lesser of 5% and Medical Trend
	Non-AFSCME – lesser of 3% and Medical Trend
Mortality, Disability, Termination, Retirement	OCERS 2014-2016 Experience Study
Mortality Improvement	Mortality projected fully generational with Society of Actuaries mortality improvement Scale MP-16
Medical Trend	Non-Medicare – 7.25% for 2021, decreasing to 4.0% in 2076
	Medicare – 6.3% for 2021, decreasing to 4.0% in 2076
Cost Sharing (2)	The Grant increase rate limits specified in the plan document (3% or 5%, depending on bargaining group) are assumed to remain applicable in the future with no charges

(1) Merit Increases – OCERS 2014-2016 Experience Study

(2) Negotiated contributions for active safety employees are assumed to continue if no end date is specified in the current bargaining agreement

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.0%	6.38%
Core Bonds	13.0%	1.03%
High Yield Bonds	4.0%	3.52%
Bank Loan	2.0%	2.86%
TIPS	4.0%	0.96%
Emerging Market Debt	4.0%	3.78%
Real Estate	10.0%	4.33%
Core Infrastructure	2.0%	5.48%
Natural Resources	10.0%	7.86%
Risk Mitigation	5.0%	4.66%
Risk Mezzanine/Distressed Debts	3.0%	6.53%
Private Equity	8.0%	9.48%
Total	100.00%	
-Assumed Long-Term Rate of Inflation – 2.75%		
-Long-Term Expected Rate of Return Net of Investment Expense – 7.00%		

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

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
<b>Net OPEB Liability</b>	\$303,000	\$245,000	\$196,000

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

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

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
<b>Net OPEB Liability</b>	\$238,000	\$245,000	\$252,000

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 13 – FIRST 5 CALIFORNIA IMPACT PROGRAM AND REGIONAL HUB**

First 5 California funded a statewide program to implement the California Quality Rating and Improvement System (QRIS). The QRIS is a systemic approach to assess, improve, and communicate the level of quality in early education programs. The Commission received First 5 IMPACT funds that were contracted to the Orange County Department of Education (OCDE) as the local organization with expertise for implementing early education quality programs. First 5 California funding for IMPACT, including incentive funding, is \$6,138,991 for a five-year period that began July 1, 2015. Funds claimed for the period ending June 30, 2020 totaled \$2,139,279, and all IMPACT funds require a two to one program partner match of two dollars of First 5 funding to every dollar of local funding. Another component of the IMPACT program is Incentive Layer Funds. These funds are intended to help support ambitious achievement and associated costs. Allocations are based on availability and predefined priorities. The Commission was notified of one incentive payment in the current year in the amount of \$843,500.

First 5 California provided additional funding for regional coordination, training and technical assistance for the quality improvement of early education programs and systems. The Commission was selected as one of ten statewide hub region fiscal agents for the IMPACT Hubs program. OCDE was contracted to serve as the administrative lead for the regional hub with the purpose of developing and defining cost-effective, efficient, and impactful QRIS systems that address local needs and priorities. First 5 California funding for IMPACT Hubs is \$3,133,362 for a four-year period that began July 1, 2016. Funds claimed for the period ending June 30, 2020 totaled \$1,160,285.

**NOTE 14 – ADVANCES TO OTHERS**

Advances to others as of June 30, 2020 were \$3,923,410. Advances to others include Catalytic Round 1 and 2 funds advanced to service providers. The Commission invested in Catalytic programs expanding the service capacity of service providers in both Early Learning and Homeless Prevention. In December 2013, the Commission advanced \$6,250,000 to HomeAid Orange County to construct emergency shelters to serve homeless families with young children, provide operational support for no less than five years, including staffing and direct services for additional emergency shelter beds, and leverages matching funds obtained by implementing agencies for continued operational support. The advanced funds are expensed as services are provided.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

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

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution (actuarially determined)	\$319,651	\$333,800	\$245,077	\$266,614	\$90,445	\$117,300
Contributions in relation to the actuarially determined contributions	(319,651)	(333,800)	(245,077)	(266,614)	(90,445)	(117,300)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	\$1,005,475	\$1,001,202	\$821,497	\$864,802	\$1,050,566	\$1,208,381
Contributions as a percentage of covered payroll	31.79%	33.34%	29.83%	30.83%	8.61%	9.71%

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



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

	<b>2018</b>	<b>2019</b>	<b>2020</b>
Commission's proportion of the net OPEB liability	\$276,000	\$290,000	\$245,000
Commission's proportionate share of the net OPEB liability	0.0689%	0.0698%	0.0688%
Commission's covered payroll	819,000	930,000	975,000
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll	33.70%	31.18%	25.13%
Plan fiduciary net position as a percentage of the total OPEB liability	42.30%	42.56%	51.02%
Measurement Date	December 31, 2017	December 31, 2018	December 31, 2019

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

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

Fiscal Year Ended June 30	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution (ADC)	\$34,000	\$39,000	\$41,000
Contribution in relation to the ADC	(34,000)	(39,000)	(41,000)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	877,000	975,000	1,091,000
Contributions as a percentage of covered payroll	3.90%	4.00%	3.76%

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

**SUPPLEMENTARY INFORMATION**

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FIRST 5 CALIFORNIA FUNDING  
 YEAR ENDED JUNE 30, 2020**

**First 5 California Funding**

<u>Program Title</u>	<u>Funding Source</u>	<u>Beginning Program Balance (As of July 1)</u>	<u>Revenue* F5CA Funds</u>	<u>Expenditures</u>	<u>Ending Program Balance (As of June 30)</u>
IMPACT	F5CA Program Funds	\$2,210,113	\$2,139,279	\$2,139,279	\$70,834
	County, Local Funds			\$1,069,640	
IMPACT Hub	F5CA Program Funds	\$1,247,747	\$1,160,285	\$1,160,285	\$87,462
Dual Language Learner	F5CA Program Funds	\$154,543	\$3,835	\$3,835	\$150,708

---

IMPACT	Incentive Layer Funds 18/19		\$843,500		
--------	-----------------------------	--	-----------	--	--

\* For the purpose of this schedule, the revenue and expenditures reported, in amount of \$2,139,279 for IMPACT and \$1,160,285 for IMPACT Hub represents the amount claimed by the Commission. For governmental fund or modified accrual financial reporting purposes, the total \$4,146,899, including incentive layer funds, was identified as unavailable revenue as it was not received within the Commission's period of availability to recognize revenue as described in Note 1.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
STATISTICAL SECTION  
(UNAUDITED)**

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

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

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

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

STATISTICAL

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

**NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2020	2019	2018*	2017
Net investment in capital	\$ -	\$ -	\$ -	\$ -
Unrestricted	47,128,853	40,695,150	37,446,530	44,034,865
Total net position	<u>\$ 47,128,853</u>	<u>\$ 40,695,150</u>	<u>\$ 37,446,530</u>	<u>\$ 44,034,865</u>

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

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



Fiscal Year					
2016	2015**	2014	2013	2012	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235
51,621,511	54,471,707	64,690,535	72,411,134	78,984,810	30,063,595
<u>\$ 51,621,511</u>	<u>\$ 54,471,707</u>	<u>\$ 64,690,535</u>	<u>\$ 72,411,134</u>	<u>\$ 78,984,810</u>	<u>\$ 30,063,830</u>

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

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2020	2019	2018	2017
Expenses:				
Governmental activities:				
Salaries and benefits	854,804	961,012	1,149,377	1,215,649
Expenses related to "Zero to Five" Programs	29,826,480	26,092,909	32,076,788	33,178,190
Extraordinary Item: Accrual of AB99 liability				
Total expenses	<u>30,681,284</u>	<u>27,053,921</u>	<u>33,226,165</u>	<u>34,393,839</u>
Program revenues:				
Governmental activities:				
Program revenues				
Prop 10 Tobacco taxes	\$ 24,991,179	\$ 23,573,280	\$ 21,867,232	\$ 24,790,836
Operating grants and contributions				
Prop 10 State School Readiness First 5 CARES Plus First 5 Child Signature Program First 5 IMPACT and Hubs	4,124,541	2,120,578	2,745,724	976,964
Other State operating grants and Federal operating grants	6,599,710	3,009,855	1,628,595	445,121
Investment income earned on tobacco taxes at the State Level (SMIF)	86,655	64,514	31,875	20,192
General revenues				
Investment income	1,021,339	1,188,495	431,764	343,403
Other revenue	302,616	345,819	191,640	230,677
Extraordinary Item: Reversal of AB99 liability				
Total revenues	<u>\$ 37,126,040</u>	<u>\$ 30,302,541</u>	<u>\$ 26,896,830</u>	<u>\$ 26,807,193</u>
Net (expense) revenue	<u>\$ 6,444,756</u>	<u>\$ 3,248,620</u>	<u>\$ (6,329,335)</u>	<u>\$ (7,586,646)</u>



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



Fiscal Year					
2016	2015	2014	2013	2012	2011
1,727,197	1,689,772	1,747,564	1,704,815	2,094,872	2,290,308
30,870,890	34,608,366	36,672,235	33,341,947	31,129,369	49,431,678
					51,369,439
<u>32,598,087</u>	<u>36,298,138</u>	<u>38,419,799</u>	<u>35,046,762</u>	<u>33,224,241</u>	<u>103,091,425</u>
\$ 25,879,036	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921
246,281	575,300	269,033	237,504	435,487	
2,042,528	3,350,818	2,719,243	90,171		
696,686	260,297	902,242	668,105	592,725	641,124
12,315	8,082	7,071	9,588	11,612	15,331
441,810	206,029	349,366	122,358	481,976	818,294
429,235	151,086	56,520	320,180	265,632	26,983
				51,369,439	
<u>\$ 29,747,891</u>	<u>\$ 30,495,236</u>	<u>\$ 30,699,200</u>	<u>\$ 28,472,411</u>	<u>\$ 82,145,221</u>	<u>\$ 30,311,653</u>
<u>\$ (2,850,196)</u>	<u>\$ (5,802,902)</u>	<u>\$ (7,720,599)</u>	<u>\$ (6,574,351)</u>	<u>\$ 48,920,980</u>	<u>\$ (72,779,772)</u>

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

**FUND BALANCES - GENERAL FUND**

**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2020	2019	2018	2017
FUND BALANCES				
Nonspendable fund balance	\$ 3,958,321	\$ 3,889,032	\$ 4,542,478	\$ 5,566,849
Committed fund balance	13,237,942	14,472,082	18,596,717	21,769,602
Assigned fund balance	26,129,406	18,932,072	14,001,862	19,957,923
Unassigned fund balance				
Total fund balances	<u>\$ 43,325,669</u>	<u>\$ 37,293,186</u>	<u>\$ 37,141,057</u>	<u>\$ 47,294,374</u>

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



Fiscal Year					
2016	2015	2014	2013	2012	2011
\$ 7,277,958	\$ 9,340,291	\$ 10,782,162	\$ 5,624,041	\$ 65,657	\$ 399,279
26,486,583	30,112,816	34,561,184	44,990,092	45,090,000	35,123,581
20,866,371	15,589,112	16,374,998	21,350,266	33,560,512	
					(5,547,385)
<u>\$ 54,630,912</u>	<u>\$ 55,042,219</u>	<u>\$ 61,718,344</u>	<u>\$ 71,964,399</u>	<u>\$ 78,716,169</u>	<u>\$ 29,975,475</u>

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

**CHANGES IN FUND BALANCES - GENERAL FUND**

**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2020	2019	2018	2017
<b>Revenues:</b>				
Prop 10 Tobacco taxes	\$ 28,541,094	\$ 20,023,365	\$ 21,867,232	\$ 24,790,836
Prop 10 State School Readiness				
First 5 CARES Plus				
First 5 Child Signature Program				
First 5 IMPACT and Hubs	1,238,020	2,755,797	977,176	1,419,176
Investment income earned on tobacco taxes at the State Level (SMIF)	151,169	-	31,875	20,192
Other State and Federal operating grants and contributions	6,149,940	3,361,107	1,628,595	445,121
Investment income	1,021,339	1,188,495	431,764	343,403
Other revenue	302,616	345,819	191,640	230,677
Total revenues	<u>37,404,178</u>	<u>27,674,583</u>	<u>25,128,282</u>	<u>27,249,405</u>
<b>Expenditures:</b>				
Current:				
Salaries and benefits	1,545,217	1,429,545	3,204,810	1,407,753
Expenditures related to "Zero to Five" Program	26,470,166	21,571,504	26,410,285	26,146,461
Catalytic Round 1 and 2 Program Funding	3,356,314	4,521,405	5,666,504	7,031,729
Services and supplies for State School Readiness program				
Capital outlay				
Total expenditures	<u>31,371,697</u>	<u>27,522,454</u>	<u>35,281,599</u>	<u>34,585,943</u>
Excess (deficiency) or revenues over (under) expenditures	6,032,481	152,129	(10,153,317)	(7,336,538)
<b>Other Financing Sources (uses):</b>				
Extraordinary Item: Accrual of AB99 liability				
Extraordinary Item: Reversal of AB99				
Total changes in fund balance	<u>\$ 6,032,481</u>	<u>\$ 152,129</u>	<u>\$ (10,153,317)</u>	<u>\$ (7,336,538)</u>

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

Fiscal Year					
2016	2015	2014	2013	2012	2011
\$ 25,879,036	\$ 25,943,624	\$ 26,395,725	\$ 27,024,505	\$ 28,988,350	\$ 28,809,921
320,200	272,815	306,465	217,258	145,487	
4,451,854	2,666,529	117,853			
12,315	8,082	7,071	9,588	11,612	15,331
696,686	420,247	741,798	603,957	903,770	686,722
441,810	206,029	349,365	122,358	481,976	818,294
429,236	151,086	282,705	320,180	90,786	26,983
<u>32,231,137</u>	<u>29,668,412</u>	<u>28,200,982</u>	<u>28,297,846</u>	<u>30,621,981</u>	<u>30,357,251</u>
1,771,554	1,736,171	1,774,802	1,708,344	2,094,972	2,320,099
24,621,958	28,193,233	31,347,721	28,712,645	31,155,080	49,431,115
6,248,932	6,415,133	5,324,514	4,629,302		
<u>32,642,444</u>	<u>36,344,537</u>	<u>38,447,037</u>	<u>35,050,291</u>	<u>33,250,052</u>	<u>51,751,214</u>
(411,307)	(6,676,125)	(10,246,055)	(6,752,445)	(2,628,071)	(21,393,963)
					(51,369,439)
				51,369,439	
<u>\$ (411,307)</u>	<u>\$ (6,676,125)</u>	<u>\$ (10,246,055)</u>	<u>\$ (6,752,445)</u>	<u>\$ 48,741,368</u>	<u>\$ (72,763,402)</u>

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

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

**Projected Tobacco Tax Revenues (2)**

2020/2021	\$23,409,852	\$298,341,469
2021/2022	\$23,219,215	\$289,414,269
2022/2023	\$22,683,531	\$281,651,069
2023/2024	\$21,685,995	\$274,407,869
2024/2025	\$21,019,801	\$267,435,869

(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 2020/21 to 2024/25 (Updated 5/21/20 utilizing DOF May Revise 2020 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1990-2040)

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

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

FY 1980-81 TO 2018-19

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
2018-19	1,786,074,000	5,305,000	1,791,379,000	3,659,000	271,772,000	62.78%
2017-18	1,882,025,000	5,590,000	1,887,615,000	1,033,000	211,440,000	65.08%
2016-17	950,676,000	6,091,000	956,768,000	1,185,000	95,330,000	27.30%
2015-16	741,937,000	6,360,000	748,297,000	1,262,000	101,427,000	28.13%
2014-15	748,022,000	6,413,000	754,434,000	837,000	86,949,000	28.95%
2013-14	751,513,000	6,443,000	757,956,000	600,000	86,424,000	29.82%
2012-13	782,115,000	6,705,000	788,820,000	498,000	82,548,000	30.68%
2011-12	820,322,000	7,032,000	827,355,000	1,017,000	80,424,000	31.73%
2010-11	828,831,000	7,105,000	835,937,000	1,308,000	77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	50,037,000	52.65%
2000-01	1,110,692,000	9,503,000	1,120,195,000	8,741,000	52,834,000	54.89%
1999-00	1,166,880,000	9,980,000	1,176,859,000	9,413,000	66,884,000	66.50%
1998-99	841,911,000	7,206,000	849,117,000	6,808,000	42,137,000	61.53%
1997-98	612,066,000	5,244,000	617,309,000	5,448,000	39,617,000	29.37%
1996-97	629,579,000	5,394,000	634,973,000	5,060,000	41,590,000	30.38%
1995-96	639,030,000	5,469,000	644,499,000	6,193,000	32,788,000	31.20%
1994-95	656,923,000	5,628,000	662,551,000	11,159,000	28,460,000	31.20%
1993-94	647,993,000	5,553,000	653,546,000	8,353,000	19,773,000	23.03%
1992-93	667,479,000	5,715,000	673,195,000	9,138,000	21,480,000	26.82%
1991-92	711,275,000	6,086,000	717,362,000	7,791,000	22,016,000	29.35%
1990-91	729,612,000	6,242,000	735,854,000	7,904,000	24,064,000	34.17%
1989-90	770,042,000	6,581,000	776,623,000	11,615,000	24,956,000	37.47%
1988-89	499,712,000	4,273,000	503,984,000	4,968,000	9,994,000	41.67%
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		

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

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

FY 1980-81 TO 2018-19

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
1979-80	272,119,000	2,327,000	274,446,000	1,645,000		
1978-79	270,658,000	2,315,000	272,973,000	1,408,000		
1977-78	275,042,000	2,352,000	277,394,000	1,239,000		
1976-77	270,502,000	2,315,000	272,817,000	832,000		
1975-76	269,852,000	2,309,000	272,161,000	927,000		
1974-75	264,182,000	2,262,000	266,444,000	745,000		
1973-74	259,738,000	2,222,000	261,960,000	632,000		
1972-73	253,089,000	2,167,000	255,256,000	626,000		
1971-72	248,398,000	2,127,000	250,525,000	677,000		
1970-71	240,372,000	2,058,000	242,430,000	552,000		
1969-70	237,220,000	2,032,000	239,253,000	455,000		
1968-69	238,836,000	2,046,000	240,882,000	492,000		
1967-68	208,125,000	1,862,000	209,987,000	328,000		
1966-67	75,659,000	1,543,000	77,202,000	129,000		
1965-66	74,880,000	1,528,000	76,407,000	88,000		
1964-65	74,487,000	1,520,000	76,007,000	61,000		
1963-64	71,530,000	1,459,000	72,989,000	71,000		
1962-63	70,829,000	1,445,000	72,274,000	79,000		
1961-62	68,203,000	1,390,000	69,593,000	47,000		
1960-61	66,051,000	1,675,000	67,726,000	76,000		
1959-60	61,791,000	767,000	62,558,000	67,000		

Source: CDTFA Open Data Portal: Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2018-19

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

- a. Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
- b. A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was 2 percent.
- c. Includes sales of indicia purchased on credit. Effective July 16, 1961, distributors have been able to purchase tax indicia on credit.
- d. Effective April 1, 2017, the overall tax rate on cigarettes was increased from 87 cents to \$2.87 per pack.
- e. From July 1, 2001, through September 9, 2001, the surtax rate on smokeless tobacco ranged from 131 percent for moist snuff to 490 percent for chewing tobacco. Effective September 10, 2001, the surtax rate on smokeless tobacco was lowered to 52.65 percent.
- f. Effective January 1, 1999, the overall tax rate on cigarettes was increased from 37 cents to 87 cents per pack under voter-approved Proposition 10. The additional 50-cent-per-pack tax was imposed to raise funds for early childhood development programs. Excludes \$87,978,766 in 1998-99 from the floor stocks taxes for both cigarettes and other tobacco products levied on January 1, 1999.
- g. From July 1, 1998, through December 31, 1998, the surtax rate was 26.17 percent for other tobacco products. Effective January 1, 1999, the new surtax imposed under Proposition 10 raised the combined surtax rate to 61.53 percent for other tobacco products. The new surtax is equivalent (in terms of the wholesale costs of other tobacco products) to a 50-cent-per-pack tax on cigarettes.
- h. Effective January 1, 1994, the overall tax rate on cigarettes was increased from 35 cents to 37 cents per pack. The additional 2-cent-per-pack tax was imposed to raise funds for breast cancer research and education.
- i. Effective January 1, 1989, an additional 25-cent-per-pack surtax was imposed on cigarettes and a new 41.67 percent surtax was imposed on other tobacco products. Excludes \$57,927,856 in 1988-89 and \$595,000 in 1989-90 from the floor stocks tax levied on January 1, 1989.
- j. Effective August 1, 1967, the tax rate was increased from 3 cents to 7 cents per pack. On October 1, 1967, the rate was further increased to 10 cents per pack, with the stipulation that 30 percent of the tax be allocated to cities and counties. Includes \$6,515,209 from the 4-cent-per-pack floor stocks tax levied on August 1, 1967; and \$4,889,485 from the 3-cent-per-pack floor stocks tax imposed October 1, 1967.
- k. Refunds made for distributors' discounts in the 1960-61 fiscal year on purchases made in the 1959-60 fiscal year have been deducted. Refunds amounted to \$324,000.
- l. Effective July 1, 1960, a discount was allowed at the time tax indicia were purchased.
- m. Includes \$2,673,048 from the 3-cent-per-pack floor stocks tax imposed July 1, 1959; and also includes the amount of distributors' discounts which were refunded after purchase of indicia. During July and August of 1959, the tax was collected by invoice and no discount was allowed on these collections of \$8,123,700, nor on the \$2,673,048 tax on floor stocks.
- n. The total 2017-18 expenditures for Prop 56 are \$4,932,471. The breakdown by fund is: 1) \$677,227 – Fund 3304, 2) \$4,255,244 – Fund 3308 (please note that in 2017-18 the fund was 3308 and now 3319 is a subaccount of this fund). The total 2018-19 expenditures for Prop 56 are \$3,638,637. The breakdown by fund is: 3) \$521,404 – Fund 3304, 4) \$3,117,233 – Fund 3319. Funds are used to reimburse the CDTFA for expenses incurred in the administration, enforcement, collection and distribution of the tax imposed by Proposition 56.
- r. Revised



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

STATE OF CALIFORNIA - CIGARETTE DISTRIBUTIONS AND PER CAPITA CONSUMPTION, 1959-60 TO 2018-19

Fiscal year	Reported distributions (Millions of packages)			Apparent per capita consumption (a.) (In packages)
	Total	Tax paid	Tax exempt	
1	2	3	4	5
2018-19	634	622	11	15.9
2017-18	665	651	14	16.7
2016-17	818	805	14	20.7
2015-16	875	860	15	22.3
2014-15	881	867	14	22.8
2013-14	889	871	18	23.2
2012-13	930	907	23	24.5
2011-12	972	951	21	25.8
2010-11	989	961	28	26.4
2009-10	1,002	972	30	26.9
2008-09	1,090	1,058	32	28.5
2007-08	1,131	1,107	24	29.9
2006-07	1,177	1,158	20	31.3
2005-06	1,209	1,190	19	32.5
2004-05	1,224	1,187	37	33.3
2003-04	1,234	1,184	50	34.0
2002-03	1,227	1,196	31	34.5
2001-02	1,271	1,237	34	36.3
2000-01	1,324	1,288	37	38.5
1999-00	1,390	1,353	38	41.2
1998-99	1,568	1,523	45	47.3
1997-98	1,717	1,668	48	52.6
1996-97	1,777	1,716	61	55.2
1995-96	1,811	1,742	69	56.9
1994-95	1,871	1,791	80	59.2
1993-94	1,903	1,824	79	60.6
1992-93	2,010	1,923	86	64.5
1991-92	2,144	2,050	94	69.8
1990-91	2,196	2,102	93	72.8
1989-90	2,311	2,219	92	78.2
1988-89	2,431	2,353	78	84.7
1987-88	2,657	2,570	87	94.9
1986-87	2,690	2,595	95	98.4
1985-86	2,730	2,632	98	102.3
1984-85	2,781	2,673	108	106.7
1983-84	2,792	2,675	117	109.9
1982-83	2,889	2,761	128	115.8
1981-82	2,947	2,811	136	120.4
1980-81	2,966	2,825	141	123.6
1979-80	2,892	2,744	148	122.9
1978-79	2,887	2,730	157	125.1
1977-78	2,940	2,774	166	130.0
1976-77	2,900	2,728	172	130.9
1975-76	2,909	2,722	187	133.7
1974-75	2,857	2,664	193	133.7
1973-74	2,827	2,620	207	134.4
1972-73	2,762	2,553	209	133.2
1971-72	2,720	2,505	215	132.9
1970-71	2,635	2,424	211	130.5
1969-70	2,594	2,393	201	130.2
1968-69	2,616	2,409	207	133.0
1967-68	2,596	2,383	213	134.0
1966-67	2,737	2,573	164	143.8
1965-66	2,706	2,547	159	144.9
1964-65	2,679	2,534	145	146.7
1963-64	2,564	2,433	131	144.3
1962-63	2,545	2,409	136	147.9
1961-62	2,450	2,320	130	147.3
1960-61	2,382	2,258	124	147.8
1959-60	2,190	2,085	105	139.7

Source: CDTFB Open Data Portal: Table 30B - Cigarette Distributions and Per Capita Consumption, 1959-60 to 2018-19

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

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

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**  
**DEMOGRAPHIC INFORMATION**  
**DEMOGRAPHIC DATA**  
**SCHEDULE 8**

**ORANGE COUNTY DEMOGRAPHIC DATA**

Calendar Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Population	3,220,987	3,215,372	3,203,517	3,179,394	3,162,354	3,138,545	3,114,327	3,088,572	3,053,238	3,017,084
White	1,298,223	1,307,088	1,317,664	1,323,716	1,330,868	1,338,077	1,341,857	1,340,936	1,336,864	1,335,047
Hispanic	1,131,628	1,125,807	1,119,626	1,110,539	1,100,467	1,085,466	1,073,141	1,061,293	1,042,411	1,018,231
Asian & Pacific Islander	696,226	684,758	668,869	649,349	633,964	616,486	599,887	585,258	568,049	548,933
Black	56,319	56,003	55,307	53,530	52,757	50,927	49,596	48,087	46,619	44,889
Other/Multi-Race	38,591	41,716	42,051	42,260	44,298	47,589	49,846	52,998	59,295	69,984
Female	1,623,956	1,622,276	1,616,333	1,604,175	1,592,033	1,580,825	1,571,020	1,556,722	1,539,103	1,524,569
Male	1,597,031	1,593,096	1,587,184	1,575,219	1,570,321	1,557,720	1,543,307	1,531,850	1,514,135	1,492,515
Under 5 years	191,452	192,338	193,731	192,979	194,434	192,225	190,770	191,836	192,317	191,665
5-9 years	197,025	196,554	198,019	199,245	199,753	201,530	202,669	201,556	199,382	198,846
10-14 years	204,713	206,101	205,431	203,855	204,433	204,871	205,773	206,988	208,857	209,713
15-19 years	226,071	228,226	229,593	231,530	232,782	235,226	237,367	239,069	235,421	229,279
20-24 years	241,415	243,575	245,732	424,167	238,297	231,832	224,243	216,438	212,391	213,909
25-34 years	405,259	408,650	410,383	413,477	419,268	422,601	423,356	421,006	417,751	413,592
35-44 years	414,633	413,079	410,649	408,910	410,579	415,398	422,409	430,640	434,589	437,653
45-54 years	430,042	439,137	445,495	448,072	449,437	450,245	449,905	449,827	448,176	444,346
55-59 years	216,940	216,040	215,073	212,343	208,159	202,349	197,657	191,375	184,317	176,823
60-64 years	193,998	190,093	184,587	177,680	170,531	164,129	159,046	155,507	153,893	148,403
65-74 years	282,739	272,609	263,695	254,742	245,837	235,281	223,701	211,545	198,378	189,466
75-84 years	147,670	141,349	135,572	130,746	127,550	124,032	120,891	118,081	115,263	113,109
85+	69,030	67,621	65,557	63,648	61,294	58,826	56,540	54,704	52,503	50,280

Sources: State of California, Department of Finance, P-2 County Population Projections, 2010–2060. Projections Prepared by Demographic Research Unit, California Department of Finance, January 2020

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

**LIVE BIRTHS, CALIFORNIA COUNTIES, 2010-2019 (By Place of Residence)\***

COUNTY	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>CALIFORNIA</b>	<b>464,300</b>	<b>454,244</b>	<b>471,806</b>	<b>488,925</b>	<b>491,789</b>	<b>502,973</b>	<b>494,392</b>	<b>503,788</b>	<b>502,023</b>	<b>509,979</b>
ALAMEDA	18875	18,225	18,896	19,576	19,442	19,657	19,248	19,550	19,002	19,302
ALPINE	6	10	7	7	3	6	5	8	6	4
AMADOR	327	305	303	307	305	291	261	285	269	272
BUTTE	2394	2,419	2,389	2,491	2,442	2,482	2,415	2,397	2,392	2,454
CALAVERAS	370	375	421	374	380	348	337	347	326	346
COLUSA	284	267	293	316	298	285	313	314	302	338
CONTRA COSTA	12567	11,995	12,186	12,344	12,599	12,560	12,149	12,061	12,057	12,352
DEL NORTE	254	269	269	310	300	324	315	302	337	372
EL DORADO	1764	1,678	1,572	1,602	1,596	1,618	1,533	1,513	1,629	1,618
FRESNO	14891	14,413	14,546	15,134	15,363	15,796	15,735	15,953	16,157	16,281
GLENN	402	365	378	379	376	416	399	368	391	434
HUMBOLDT	1336	1,365	1,372	1,491	1,445	1,474	1,531	1,511	1,448	1,551
IMPERIAL	2958	2,628	2,924	2,990	3,217	3,270	3,068	3,041	3,075	3,072
INYO	199	176	212	182	203	226	230	219	213	192
KERN	13415	12,874	13,330	13,733	13,769	14,199	14,145	14,558	14,287	14,416
KINGS	2369	2,256	2,375	2,248	2,275	2,342	2,394	2,357	2,565	2,507
LAKE	697	714	750	749	724	748	758	739	715	721
LASSEN	328	307	301	306	294	326	294	298	300	322
LOS ANGELES	111500	110,167	116,850	122,940	124,438	130,150	128,523	131,697	130,312	133,160
MADERA	2090	2,076	2,121	2,355	2,225	2,313	2,314	2,258	2,401	2,434
MARIN	1799	2,122	2,238	2,255	2,288	2,403	2,320	2,306	2,385	2,368
MARIPOSA	155	154	141	148	166	138	134	161	132	145
MENDOCINO	918	896	992	1,024	1,052	1,020	1,014	1,153	1,061	1,059
MERCED	4305	3,870	4,202	4,117	4,105	4,158	4,161	4,311	4,281	4,248
MODOC	105	100	88	97	80	90	63	76	87	119
MONO	137	129	147	131	152	149	150	131	156	151
MONTEREY	5904	5,887	5,813	6,222	6,426	6,458	6,547	6,652	6,814	6,764
NAPA	1334	1,206	1,291	1,407	1,456	1,478	1,449	1,431	1,572	1,525
NEVADA	832	772	797	783	876	817	816	810	761	793
ORANGE	37250	35,643	37,395	38,121	37,622	38,610	37,256	38,186	38,100	38,237
PLACER	3792	3,664	3,691	3,733	3,748	3,644	3,684	3,648	3,832	3,824
PLUMAS	185	168	173	169	163	147	152	151	165	170
RIVERSIDE	30001	28,684	29,880	30,682	30,510	30,271	29,930	30,316	30,610	30,659
SACRAMENTO	19362	19,052	19,206	19,592	19,430	19,886	19,367	19,618	19,998	20,055
SAN BENITO	781	772	735	777	720	697	752	701	772	735
SAN BERNARDINO	30354	28,964	29,708	31,114	30,619	31,306	30,201	30,691	30,573	31,367
SAN DIEGO	39258	40,008	41,251	42,741	43,961	44,596	43,627	44,391	43,621	44,838
SAN FRANCISCO	8924	8,690	8,950	9,061	8,972	9,102	8,807	9,070	8,813	8,800
SAN JOAQUIN	10010	9,811	9,929	10,269	9,986	10,095	9,799	10,129	10,328	10,593
SAN LUIS OBISPO	2419	2,433	2,551	2,582	2,668	2,595	2,650	2,580	2,632	2,736
SAN MATEO	8192	8,326	8,586	8,961	9,040	9,098	8,821	9,182	9,047	9,193
SANTA BARBARA	5557	5,256	5,533	5,501	5,673	5,829	5,753	5,584	5,803	5,819
SANTA CLARA	20871	21,267	22,137	23,044	23,393	23,759	23,296	24,308	23,652	23,936
SANTA CRUZ	2460	2,447	2,661	2,803	2,841	3,047	2,867	3,084	3,232	3,190
SHASTA	2085	1,961	2,008	2,048	2,074	2,083	2,140	2,110	2,021	2,136
SIERRA	32	26	32	32	31	21	14	19	23	23
SISKIYOU	456	438	446	462	466	451	443	501	472	434
SOLANO	5241	5,039	5,133	5,262	5,132	5,251	5,255	5,061	5,158	5,047
SONOMA	4244	4,525	4,645	4,964	5,016	5,075	4,982	5,144	5,150	5,391
STANISLAUS	7552	7,339	7,443	7,867	7,700	7,521	7,579	7,592	7,737	7,804
SUTTER	1383	1,266	1,263	1,368	1,302	1,317	1,285	1,258	1,326	1,360
TEHAMA	802	731	743	789	828	787	753	767	728	767
TRINITY	127	113	126	109	102	112	100	125	123	107
TULARE	7315	6,900	7,131	7,146	7,412	7,618	7,651	8,000	7,966	8,155
TUOLUMNE	473	450	470	456	466	454	475	459	430	487
VENTURA	9300	9,025	9,321	9,592	10,062	10,471	10,441	10,641	10,656	11,147
YOLO	2134	2,127	2,271	2,423	2,402	2,395	2,491	2,452	2,340	2,426
YUBA	1225	1,099	1,184	1,239	1,155	1,193	1,200	1,213	1,282	1,223

Source: Prepared by Demographic Research Unit, California Department of Finance, January 2020

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

**CHILDREN'S SCORECARD ORANGE COUNTY TRENDS, 2018-2009**

	2018	2017
<b><u>GOOD HEALTH</u></b>		
Total percentage of women who received early prenatal care*	***	86.90%
Newborns with low birth weight (less than 2,500 grams)*	***	2,222
Percent of Infants with low birth weight*	***	5.8%
Infants taken into protective custody due to positive testing for alcohol/drug exposure at birth* (FY)	180	190
Children adequately immunized at Kindergarten entry*	95.7%	95.7%
Infant Mortality Rate (per 1,000 live births)*	***	3.1
Birth rates per 1,000 females ages 15-19 in Orange County*	***	9.9
Breastfeeding Percentages (any)*	***	94.8%
Breastfeeding Percentages (exclusive)*	***	66.1%
<b><u>ECONOMIC WELL-BEING</u></b>		
Children receiving financial assistance through CalWORKS* (FY)	30,816	34,485
Percent of children receiving CalWORKS of total population under 18* (FY)	4.3%	4.7%
Percentage of students eligible for free and reduced lunch* (FY)	49.1%	47.7%
Number of participants served by the WIC program* (FY)	57,874	61,406
Total number of child support cases* (FY)	66,296	70,403
Total child support collections \$ (in millions)* (FY)	184.3	184.0
<b><u>EDUCATIONAL ACHIEVEMENT</u></b>		
Total public school enrollment* (FY)	485,099	489,791
Number of English learner students* (FY)	113,938	119,315
Average \$ expenditure per pupil for grades K-12* (FY)	11,420	10,926
Total number of students K-12 receiving special education* (FY)	57,141	55,908
<b><u>SAFE HOMES AND COMMUNITIES</u></b>		
Average monthly number of children in out-of-home care* (FY)	2,190	2,134
Average monthly number of dependents of the court* (FY)	2,861	2,762
Total juvenile arrests for youth 10 to 17 years of age*	***	3,770
Total number of juveniles referred to probation, 10 to 18 years*	***	5,098

\* The 25th Annual Report on the Condition of Children in Orange County 2019 presents dates through calendar year 2018. Data through FY 2019-20 not yet available.

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

\*\*\* Not yet available

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

2016	2015	2014	2013	2012	2011	2010	2009
84.40%	85.20%	86.10%	88.30%	88.6%	88.7%	89.0%	88.2%
2,397	2,360	2,433	2,330	2,401	2,550	2,462	2,670
6.3%	6.3%	6.3%	6.3%	6.3%	6.7%	6.4%	6.6%
178	121	110	98	82	128	89	81
95.5%	92.5%	90.1%	88.7%	89.3%	89.5%	89.0%	89.6%
1.5	2.7	3.0	3.3	3.4	4.2	4.0	4.1
10.9	12.0	14.8	16.7	19.2	20.2	22.5	25.3
95.0%	95.1%	94.8%	94.0%	93.2%	93.2%	92.7%	88.0%
66.1%	67.1%	64.6%	62.7%	62.1%	59.8%	55.6%	39.2%
38,982	42,345	42,877	43,916	45,950	46,809	42,793	35,962
5.5%	6.0%	6.0%	6.1%	6.2%	5.9%	5.4%	4.5%
49.1%	49.0%	50.0%	47.9%	46.4%	45.4%	44.4%	42.3%
71,367	78,856	87,408	92,303	98,219	103,563	100,434	104,622
68,117	67,732	68,635	70,608	77,582	89,852	100,056	103,598
182.3	178.8	177.9	178.6	180.1	177.4	177.2	180.3
492,886	497,116	500,487	501,801	502,195	502,895	502,239	504,136
123,001	129,390	130,570	123,390	130,076	126,226	141,605	140,887
9,105	9,128	8,274	7,950	7,952	7,827	7,955	8,267
54,231	53,512	53,005	52,216	51,905	51,613	51,208	51,394
2,107	2,192	2,279	2,257	2,215	2,018	2,195	2,466
2,627	2,799	2,683	2,862	2,791	2,795	3,050	2,453
4,521	4,829	6,580	6,892	8,566	10,797	13,485	14,341
5,617	5,808	7,156	7,821	8,882	10,454	11,533	11,531

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY  
OPERATING INFORMATION  
CAPITAL ASSETS STATISTICS  
SCHEDULE 11**

**CAPITAL ASSETS STATISTICS**

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

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

**PRINCIPAL EMPLOYERS**

LAST YEAR AND NINE YEARS AGO

**2019\***

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
The Walt Disney Co.	32,000	1	1.99%
University of California, Irvine	24,714	2	1.54%
County of Orange	17,365	3	1.08%
St. Joseph Health	14,000	4	0.87%
Kaiser Permanente	8,200	5	0.51%
Albertsons Southern California Division	7,535	6	0.47%
Boeing Co.	6,600	7	0.41%
Hoag Memorial Hospital Presbyterian	6,500	8	0.40%
Walmart Inc.	6,200	9	0.39%
Target Corporation	6,000	10	0.37%

**2011\*\***

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
The Walt Disney Co.	22,000	1	1.37%
University of California, Irvine	21,291	2	1.33%
County of Orange	17,257	3	1.08%
St. Joseph Health System	12,048	4	0.75%
Boeing Co.	7,700	5	0.48%
Bank of America Corp.	6,300	6	0.39%
Yum Brands Inc.	6,300	7	0.39%
Kaiser Permanente	5,968	8	0.37%
Target Corporation	5,527	9	0.34%
Cedar Fair LP	5,200	10	0.32%

\* Source: Orange County Business Journal, The List of Employers, November 18, 2019

\*\* Source: Orange County Business Journal, Book of Lists as reproduced in the 2012 County of Orange CAFR

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

**EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of Employees by Function										
General Administration	2	3	3	3	3	3	3	4	6	7
Finance	2	2	2	2	2	2	2	1	2	2
Contracts Administration	2	2	2	3	3	4	4	4	4	5
Program Management & Evaluation	6	5	5	4	4	4	4	4	3	3
Total Employees	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>15</u>	<u>17</u>

\* Table presents Regular and Limited-Term Employees





**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Children and Families Commission of Orange County (Commission), a component unit of the County of Orange, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Commission’s basic financial statements and have issued our report thereon dated November 16, 2020.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

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

Laguna Hills, California  
November 16, 2020



## Independent Auditor's Report on State Compliance

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

### Compliance

We have audited the Children and Families Commission of Orange County's (Commission), a component unit of the County of Orange, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2020.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit.

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

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

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

**Opinion**

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2020.

**Purpose of Report**

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



Laguna Hills, California  
November 16, 2020