

AGENDA

SPECIAL JOINT MEETING OF THE BOARD OF COMMISSIONERS AND THE BUDGET & FINANCE AND EXECUTIVE COMMITTEES

Budget & Finance Committee Chair: Robert Byrd

**Wednesday, September 16, 2015
 2:00 PM**

Meeting Location:
 First 5 LA
 750 N. Alameda Street
 Los Angeles, CA 90012



ASPOSE

Your File Format APIs

1. **ACTION**
 Call to Order
 - **Marvin Southard, Chair**

2. **INFORMATION** **3**
 Review Budget and Finance Committee Meeting Notes - June 1, 2015
 - **Marvin Southard, Chair**

3. **INFORMATION** **9**
 Monthly Financial Statements
 - **Raoul Ortega, Finance Director**

4. **INFORMATION** **15**
 Review Draft of the Comprehensive Annual Financial Report (CAFR),
 Including the Independent Auditor's Report for the Fiscal Year Ending June
 30, 2015
 - **Raoul Ortega, Finance Director**
 - **Tino Genio, Staff Accountant**
 - **Roger Alfaro, Partner, Vavrinek, Trine, Day & Co., LLP**

COMMISSIONERS

Los Angeles County Supervisor	Judy Abdo	Summer McBride
Holly J. Mitchell	Robert Byrd, Psy.D	Maricela Ramirez
<i>Chair</i>	Astrid Heger, M.D.	Carol Sigala
Brandon Nichols	Yvette Martinez	
<i>Vice Chair</i>		

EX OFFICIO MEMBERS

Barbara Ferrer, Ph.D.,
 M.P.H., M.Ed.
 Jacquelyn McCroskey, DSW
 Deanne Tilton

EXECUTIVE DIRECTOR

Karla Pleitéz Howell

EXECUTIVE VICE PRESIDENT

John A. Wagner

A PUBLIC ENTITY

5. **INFORMATION**
Public Comment
6. **ACTION**
Adjournment



SUMMARY MEETING NOTES

**FIRST 5 LA
SUMMARY MEETING NOTES
Meeting of the Budget & Finance Committee
June 1, 2015**

COMMITTEE MEMBERS PRESENT:

Judy Abdo
Jane Boeckmann
Sandra Figueroa-Villa
Marvin Southard [Chair]

COMMISSIONERS PRESENT

Suzanne Bostwick [Alternate]

STAFF PRESENT:

Kim Belshé, Executive Director
Tara Ficek, Director
Grants Management
Faustino Genio, Staff Accountant
Alison Mendes, Interim Finance Manager
Raoul Ortega, Finance Director
Faith Ramirez, Program Officer
Grants Management
Linda Vo, Board Secretary
John Wagner, Chief Operating Officer

1. Call to Order/Roll Call

The meeting was called to order by Committee Chair Southard at 3:00 pm. Roll call completed.

2. Review of Meeting Notes – Budget and Finance Committee, May 4, 2015

The item was reviewed and received and filed with no deletions, additions, and/or changes.

3. Annual Audit

Mr. Ortega introduces Mr. Alfaro, who is the Managing Partner of Vavrinek, Trine & Day, Co. (VTD), our auditors for this year. He informs the committee that at today's meeting, Mr. Alfaro will be going over the scope and timing of the audit for Fiscal Year 14-15. Mr. Ortega also informs the Committee that this is a requirement of the State that First 5 LA be audited and that any findings be reported and communicated to the Commissioners and Public.

Mr. Alfaro now goes through his presentation. He informs the Committee that his firm will perform the audits of the:

- Comprehensive Annual Financial Report (CAFR)
- State Compliance – Standards and Procedures for Audits of California Counties Participating in the Children and Families Program issued by the State Controller's Office
- OMB A-133 Single Audit (as applicable)

His firm plans to abide by the following timeline:

- Planning and Interim Fieldwork – June
- Final Fieldwork – August
- Report Delivery – September/October

Mr. Alfaro states that it is his firm's responsibility in the audit process to do the following:

- Express opinions about whether the financial statements that have been prepared by management with the oversight of the Commission are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

SUMMARY MEETING NOTES

He reminds the Committee that these opinions, though reasonable, are not necessarily absolute.

Other responsibilities include:

- Consider internal control and compliance; no opinion will be expressed
- Express an opinion on compliance applicable to major federal programs (OMB A-133 Single Audit), if applicable
- Issue a report on state compliance SCO guidelines
- Communicate other matters
 - Qualitative aspects of accounting policies and accounting estimates and note disclosures
 - Difficulties encountered
 - Uncorrected misstatements
 - Material corrected misstatements
 - Disagreements with managements
 - Management representations
 - Consultations with other accountants

Mr. Alfaro briefly explains VTD's approach in the audit process. VTD plans to meet with management to identify audit risk areas or unusual transactions. As a part of this process, they will also inspect financial and other information to ensure that First 5 LA is operating in compliance with state guidelines.

Mr. Alfaro says that the final stage of the audit will be to perform substantive tests, on a sample basis, on account balances and transactions. These tests include, but are not limited to:

- Analytical procedures
- Third party confirmation
- Tracing/vouching to supporting documentation

He informed the Committee that VTD will also determine the adequacy of the financial statements and disclosures, including assessing accounting principles used.

Once the audit is completed, VTD will do an exit by:

- Discussing audit adjustments
- Presenting findings and recommendations
- Providing required communications

Mr. Alfaro now asks the Committee if there are any questions about the audit process.

Committee member Figueroa-Villa would like to know that if there are any findings that have already been corrected, if the auditors will still report them.

Mr. Alfaro says that as part of their final written report, they will make a note of these findings, despite them having already been discussed and corrected.

Ms. Belshé asks Mr. Alfaro to discuss VTD's approach on sample and size of sample.

Mr. Alfaro says that annually, VTD revisits the risk assessment process, despite their past experience working with First 5 LA. They even have to incorporate an aspect of unpredictability to ensure that they cover all aspects as part of the audit process. They even sometimes incorporate areas that may have not risen to the level of an audit in the past, but will now go through the audit process to understand all internal controls.

Mr. Alfaro informs the Committee that the requirement of an audit process to understand internal control is to look at least one transaction. However, given the complexity and size of First 5 LA, VTD expands that testing to about 40-60 transactions, depending on the sample size, to verify

SUMMARY MEETING NOTES

expenditures. With respect to the balance sheet, VTD will cover 50% to 2/3 of the account balance as a part of their audit.

Commissioner Bostwick asks how they go about getting information about how a check gets cut to grantees.

Mr. Alfaro says that they would look at how the contract was set up to ensure that everything is consistent with practices and is in compliance.

There is no further discussion on this item.

4. Monthly Financial Statements

Mr. Ortega goes over the current monthly financial statements for the month ending April 30, 2015. As anticipated, the statements represent business as usual and current revenue is coming in on time. Expenditures are also tracking a bit lower than other months due to last month having a lot of the quarterly invoices processed.

Mr. Ortega informs the Committee that staff plan on taking these financial statements to the June Commission meeting for approval.

5. Program Expenditures Review: Information Resource & Referral Program

Ms. Ramirez gives a brief presentation on the Information Resource & Referral program. She informs the Committee that since 2005, \$15.1 million has been allocated to support comprehensive information and referral services on a broad range of issues such as child care, parenting support, and health care services.

She informs the Committee that First 5 LA funds approximately 20% of 211's total agency budget and that the other 80% comes from the County. This funding covers 9 community Resource Advisors, 4 program staff and 9 administrative staff.

Ms. Ramirez states that between July 2014 and April 2015, the following callers were served:

- 69,109 callers-pregnant women and/or have children through age 5
- 432,441 general population callers

Based on these numbers, Ms. Ramirez indicates that 211 is on track to serve 500,000 general population callers in FY 14-15.

As part of the reporting process and requirement, Ms. Ramirez informs the Committee that reports are conducted monthly and that 211 must meet an "Abandonment Rate" of 15% or less and must maintain an "Average Time to Answer" at 2 minutes or less.

Ms. Ramirez goes on to remind the Committee of the last action taken back on May 2015 that extended the current contract with 211 for an additional fiscal year for \$1,239,535 and that further research will be done on both informal and formal information resource and referral programs.

There is no further discussion on this item.

SUMMARY MEETING NOTES

6. Final FY 2015-16 Budget

Mr. Ortega goes over the final draft of the FY-15-16 budget. He says that the goal of today's meeting will be to provide the following information to the Committee:

- Budget context and observations
- Changes since the draft Proposed Budget presented on May 14, 2015
- Projected Fund Balance and GASB 54 Commitments
- Request for approval
- Board engagement and next steps

He goes over the following budget timeline:

- May 4, 2015 – Budget & Finance Committee
- May 14, 2015 – Commission
 - Informational Item: Presented for Discussion
- May 21, 2015 – Executive Committee
 - Discussion of FY 2015-16 proposed operating costs
- May 28, 2015 – Program & Planning Committee
 - Discussion of FY 2015-16 proposed programmatic costs, focusing on resources for the 2015-2020 Strategic Plan
- June 1, 2015 – Budget & Finance Committee
 - Review changes to the FY 2015-16 Proposed Budget
- June 11, 2015 – Commission
 - Action Item: Presented for Commission Approval

Mr. Ortega proceeds with his presentation by providing the following context to Committee members:

He states that the FY15-16 budget represents a transitional budget. Meaning, it reflects costs for ongoing legacy initiatives that continue into the new Strategic Plan timeframe. It also reflects funding for work that is associated with the new strategic plan: priority anchor investments and evolving and new work under development.

In developing the FY15-16 budget, the following key observations were made:

- Legacy Investments continue to represent nearly 60% of the First 5 LA budget
- Anchor Investments of new Strategic Plan reaching full implementation
 - Welcome Baby/Select Home Visiting
 - Best Start Community Capacity Building
- New resources needed to advance the Strategic Plan
 - Policy and Advocacy
 - Strategic Communications
 - Developmental Activity (Strategic Plan Implementation Fund)
- Workload demands are multi-faceted, requiring continued dedication of staff time
- Estimated FY 2015-16 tobacco tax revenue = \$85.6 million □ Demand on fund balance = \$144.2 million

Mr. Ortega now hands the presentation over to Ms. Mendes who begins by doing a budget overview:

SUMMARY MEETING NOTES

BUDGET CATEGORY	Draft Proposed FY 2015-16 Budget (May 2015)	Final Proposed FY 2015-16 Budget (June 2015)	Variance
Program			
<i>2015-2020 Strategic Plan: Focusing for the Future</i>			
a. Investments/Approaches Reaffirmed by the Board and Aligned with SP	\$ 61,301,000	\$ 61,301,000	\$ -
b. Existing Investments Potentially Aligned with SP	3,610,000	3,610,000	-
c. New Investments Under Development (Strategic Plan Implementation Fund)	3,136,000	3,136,000	-
<i>Total 2015-2020 Strategic Plan</i>	\$ 68,047,000	\$ 68,047,000	\$ -
<i>Legacy Investments</i>	131,556,000	133,228,000	1,672,000
<i>Research & Evaluation</i>	7,914,000	7,667,000	(247,000)
Total Program	\$ 207,517,000	\$ 208,942,000	\$ 1,425,000
Operating	20,684,362	20,794,362	110,000
TOTAL BUDGET	\$ 228,201,362	\$ 229,736,362	\$ 1,535,000

Ms. Mendes says that the primary reasons for the changes are due to the following:

1. New data available to inform budget development (\$1.04 million increase)
2. Delay in current year activity (\$440,000 increase)
3. Inadvertent omission in the May budget (\$60,000 increase)

She then covers in detail the changes made to the budget since the last draft.

INITIATIVE	PROGRAM	DRAFT FY 2015-16 BUDGET (MAY)	CHANGE	FINAL FY 2015-16 BUDGET (JUNE)	% CHANGE	REASON FOR CHANGE
LEGACY INVESTMENTS						
Black Infant Health	Black Infant Health Program	\$ 1,455,000	\$ 20,000	\$ 1,475,000	1%	ND
Children's Dental Care	Children's Dental Care Program	9,260,000	1,396,000	10,656,000	15%	ND
Children's Vision Care	Children's Vision Care	1,395,000	(54,000)	1,341,000	-4%	ND
Tot Parks and Trails	Tot Parks and Trails	350,000	310,000	660,000	89%	D
RESEARCH AND EVALUATION						
Data Development & Integration	Los Angeles County Health Survey	28,000	80,000	108,000	286%	D
Program Evaluation	Professional Development Program Evaluation	1,743,000	(242,000)	1,501,000	-14%	ND
	Welcome Baby Impact Study	360,000	(85,000)	275,000	-24%	ND
INTERNAL OPERATIONS						
Information Technology	Consultant Fees	250,000	110,000	360,000	44%	D, O
TOTAL FIRST 5 LA		\$1,535,000				

SUMMARY MEETING NOTES

Ms. Mendes says that the most significant changes to the budget are due to new data being received.

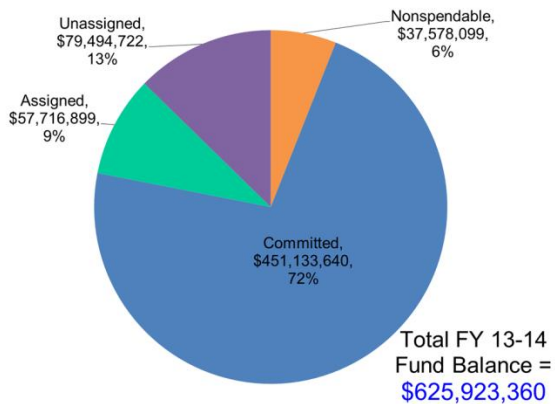
As part of GASB 54 commitments, staff presents projected fund balance categories to the Commission for review so that the Commission has an opportunity to review and approve existing funds.

Ms. Mendes goes through the following definitions with the Commission regarding fund balance categories.

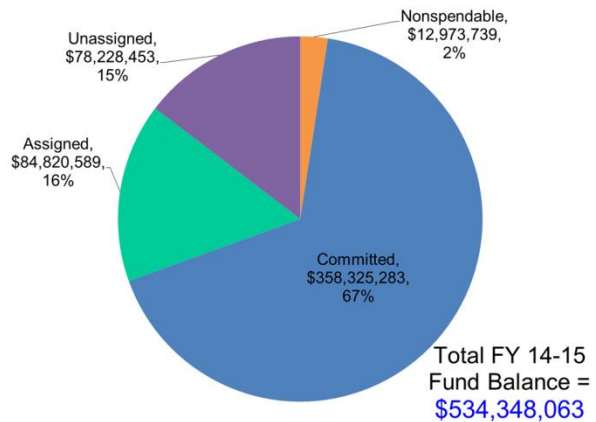
1. **Nonspendable:** Funds that have been advanced to a contractor or grantee for services to be provided in the future and are considered to be an asset of the Commission.
2. **Committed:** Funds allocated for a specified purpose and directed by the Commission via Resolution. The Commission must adopt another Resolution to reappropriate these funds for other purposes.
3. **Assigned:** Funds are reserved for Commission use consistent with the 2015-2020 Strategic Plan.
4. **Unassigned:** Funds designated for the Operating Budget and Reserve.

Ms. Mendes then goes over the fund balance projections:

Fund Balance at June 30, 2014*



Projected Fund Balance at June 30, 2015



There is no further discussion on this item.

ADJOURNMENT:

The meeting was adjourned at 4:18 pm.

NEXT MEETING:

The next Budget and Finance Committee meeting will take place on Wednesday, September 16, 2015 at 2:00 pm.

First 5 LA
Conference Room B, First Floor
750 N. Alameda Street
Los Angeles, CA 90012

Summary minutes were recorded by Linda Vo_g Secretary of the Board of Commissioners.

FIRST 5 LA

SUBJECT:
Monthly Financial Reports

RECOMMENDATION:
Approval of the monthly financial statements for the month ending July 31, 2015.

BACKGROUND:
Staff routinely provides monthly financial reports for the Commission's review and approval to ensure transparency of the financial status of First 5 LA.

DISCUSSION:

This report includes detailed financial information for the month ending July 31, 2015. The financial statements are unaudited and reported as a "soft close." We are currently in the process of closing the books and audited financial statements will be presented to the Commission in October 2015. For FY 2014-15 year-end closing purposes, we converted from a cash basis to modified accrual basis and accounted for all assets and liabilities as of June 30, 2015. Beginning July 1, 2015, these statements revert to a cash basis and account for reversals of any accruals for either revenues or expenditures.

First 5 LA began the month with an unaudited cash balance of \$546.2 million. During the month, we received \$553,117 in revenues. We recorded \$15.0 million Tobacco Tax Revenue for May and June 2015 which was booked as a receivable in FY 2014-15. We had \$976,828 in operating expenditures and \$62,476 in program expenditures. As a result, First 5 LA ended the month with a cash balance of \$545.7 million.

All materials in this packet and check registers are available online. Statements in this report include the following:

- Revenue and Expense Statement: Summarizes financial statements to highlight the starting cash balance, revenues received, program and operating expenses, and the ending cash balance for the month.
- Balance Sheet: Provides a "snapshot" view of the Commission's assets, liabilities and fund balance as of July 31, 2015.
- Detailed operating and program expenditures: Shows expenses against the FY 2015-16 Budget approved on June 11, 2015, concluding with a report of expenditures related to programs functioning as pass-through agreements.

Los Angeles County Children and Family First -
Proposition 10 Commission (aka) First 5 LA
Revenue and Expense Statement
July 31, 2015, Unaudited

	REVENUES AND EXPENDITURES	FISCAL YTD EXPENDITURES/ BUDGET %
Cash Balance as of June 30, 2015	\$ 546,152,286	
Revenue		
Monthly State Allotments	\$ -	
State Commission Matching Grant - Cares Program	-	
Medi-Cal Administrative Activities (MAA)	-	
State Commission - Other Program Funds	-	
Interest Income - Unreserved	-	
Investment Income - Other	544,615	
Rental Revenue - La Petite	8,502	
Partnerships for Families (PFF) - LA county Dept. of Children and Family Services (DCFS)	-	
Total Revenue	\$ 553,117	
Expenses		
Program Budget (Attachment A)		
2015-2020 Strategic Plan: Focusing For The Future	\$ 45,798	0%
Legacy Investments	-	0%
Research and Evaluation	16,678	1%
Internal Operations	-	0%
Total Initiative/Program Expenses	\$ 62,476	0%
Pass-Through (Attachment B)		
Medi-Cal Administrative Activities (MAA)	\$ -	
Child Signature Program (CSP)	-	
Partnerships for Families (PFF) - LA county Dept. of Children and Family Services (DCFS)	-	
Total Pass-Through Expenses	\$ -	
Operation and Administration (Attachment C)		
Personnel	\$ 818,469	5%
General Operating	115,039	8%
Professional Services	-	0%
Consultant Services	41,250	2%
Travel & Meetings	2,069	0%
Capital Improvements	-	0%
Total Operation and Administration	\$ 976,828	5%
Total Expenses	\$ 1,039,304	
Variance (Revenues - Expenses)	\$ (486,187)	
Cash Balance as of July 31, 2015	\$ 545,666,099 (1)	

NOTE:

1) Cash Balance excludes fixed assets and Liabilities.

LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)
PROGRAM EXPENDITURES BY FY 2015-16 BUDGET
JULY 31, 2015, UNAUDITED

INITIATIVE/PROGRAM	FY 2015-16 BUDGET*	JULY EXPENDITURES	FISCAL YTD EXPENDITURES	BALANCE REMAINING	FISCAL YTD EXPENDITURES /BUDGET%
2015-2020 STRATEGIC PLAN: FOCUSING FOR THE FUTURE					
Investments and Approaches Reaffirmed by the Board and Aligned with SP					
Families: Placed-Based - Welcome Baby/Select Home Visiting	36,603,000	-	-	36,603,000	0%
Communities: Place-Based - Community Capacity Building	17,029,000	45,538	45,538	16,983,462	0%
Policy Agenda/Advocacy	2,797,000	-	-	2,797,000	0%
Communications & Marketing	4,672,000	260	260	4,671,740	0%
Communications - Conference Funding	200,000	-	-	200,000	0%
Existing Investments Potentially Aligned with SP					
Healthy Kids	2,250,000	-	-	2,250,000	0%
Information Resource and Referral	1,360,000	-	-	1,360,000	0%
New Investments Under Development (Strategic Plan Implementation Fund)					
Families	636,000	-	-	636,000	0%
Communities	1,093,750	-	-	1,093,750	0%
Early Care & Education (ECE) Systems	370,000	-	-	370,000	0%
Health, Mental Health & Substance Abuse Systems	546,250	-	-	546,250	0%
Other/Cross - Cutting Activities	490,000	-	-	490,000	0%
LEGACY INVESTMENTS					
At-Risk Fathers Investment	150,000	-	-	150,000	0%
Baby Friendly Hospitals	1,245,000	-	-	1,245,000	0%
Black Infant Health	1,955,000	-	-	1,955,000	0%
Children's Dental Care	10,656,000	-	-	10,656,000	0%
Children's Vision Care	1,341,000	-	-	1,341,000	0%
Early Identification and Intervention - Autism and other Developmental Delays	818,000	-	-	818,000	0%
ECE Environmental Scan	80,000	-	-	80,000	0%
Healthy Food Access	2,064,000	-	-	2,064,000	0%
Little by Little/One Step Ahead	3,515,000	-	-	3,515,000	0%
Los Angeles Universal Preschool (LAUP)	55,423,000	-	-	55,423,000	0%
Oral Health & Nutrition - Dental Home	3,904,000	-	-	3,904,000	0%
Parent Child Interaction Therapy	4,642,000	-	-	4,642,000	0%
Partnerships for Families (PFF)	150,000	-	-	150,000	0%
Peer Support Groups for Parents	1,469,000	-	-	1,469,000	0%
Policy Advocacy Fund	2,194,000	-	-	2,194,000	0%
Reducing Childhood Obesity	15,462,000	-	-	15,462,000	0%
Resource Mobilization - ECE	1,225,000	-	-	1,225,000	0%
Resource Mobilization - Funder Partnership	60,000	-	-	60,000	0%
Resource Mobilization - Health	1,540,000	-	-	1,540,000	0%
Resource Mobilization - Organizational Capacity Building	550,000	-	-	550,000	0%
Tot Parks and Trails	660,000	-	-	660,000	0%
Universal Assessment of Newborns	8,785,000	-	-	8,785,000	0%
Workforce Development	2,522,000	-	-	2,522,000	0%
Workforce Development - ECE Workforce Consortium	12,798,000	-	-	12,798,000	0%
RESEARCH AND EVALUATION					
Data Development and Integration	2,527,000	16,438	16,438	2,510,563	1%
Data Development with Funders	900,000	-	-	900,000	0%
Program Evaluation	4,240,000	240	240	4,239,760	0%
TOTAL	208,922,000	62,476	62,476	208,859,524	0%

* The FY 2015-16 Budget was approved by the Board of Commissioners on June 11, 2015

NOTES -PROGRAM EXPENDITURES BY FY 2015-16 BUDGET:

Journal entries for FY 2014-15 accrued expenses were reversed in July 2015. The amounts reported are the actual program expenditures for July 2015.

LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)
 EXPENDITURES - PASS-THROUGH
 JULY 31, 2015, UNAUDITED

Attachment B

INITIATIVE/PROGRAM - PASS-THROUGH	JULY EXPENDITURES	YEAR TO DATE EXPENDITURES
Medi-Cal Administrative Activities (MAA) - LA County Charges	-	-
Medi-Cal Administrative Activities (MAA) - Participation Payment	-	-
Child Signature Program (CSP)	-	-
Partnerships For Families - LA County Department of Children and Family Services (DCFS)	-	-
TOTAL	-	-

**Los Angeles County Children and Family First -
Proposition 10 Commission (aka) First 5 LA
Operating & Administrative Budget Update
July 31, 2015, Unaudited**

OPERATION AND ADMINISTRATION EXPENSE	JULY ACTUAL	FISCAL YTD ACTUAL	FY 2015-16 BUDGET	FISCAL YTD VARIANCE	FISCAL YTD/BUDGET %
Personnel Related Expenses					
Salaries & Wages	561,627	561,627	12,387,038	11,825,411	5%
Fringe Benefits	256,842	256,842	3,980,943	3,724,101	6%
	818,469	818,469	16,367,981	15,549,512	5%
General Operating Expenses					
ADP Payroll Charges	1,739	1,739	31,000	29,262	6%
Workers Compensation Insurance	-	-	100,000	100,000	0%
Corporate Insurance	-	-	76,000	76,000	0%
Mileage Expense	416	416	61,850	61,434	1%
Telephones & Modems	4,831	4,831	65,000	60,169	7%
Printing	538	538	19,200	18,662	3%
Postage & Delivery	2,200	2,200	13,300	11,100	17%
Office Supplies	5,269	5,269	83,980	78,711	6%
Subscriptions & Publication	-	-	10,060	10,060	0%
Equipment Rental	7,948	7,948	118,200	110,252	7%
Repair & Maintenance - Furniture & Fixtures	52,907	52,907	180,000	127,093	29%
Repair & Maintenance - Equipment	125	125	32,000	31,875	0%
Rents & Lease - Offsite Storage	5,406	5,406	23,700	18,294	23%
Los Angeles County Overhead	-	-	27,000	27,000	0%
Contingency	-	-	75,000	75,000	0%
Facilities & Other Supplies	-	-	12,150	12,150	0%
Utilities	31,486	31,486	155,000	123,514	20%
Educational Supplies	-	-	5,300	5,300	0%
Cell Phones	2,175	2,175	52,250	50,075	4%
Hardware & Software Maintenance	-	-	258,000	258,000	0%
	115,039	115,039	1,398,990	1,283,951	8%
Professional Services					
Audit and Accounting Fees	-	-	70,000	70,000	0%
Legal Fees	-	-	175,000	175,000	0%
Membership Dues	-	-	82,100	82,100	0%
Professional Development	-	-	210,800	210,800	0%
Professional Dues First 5 Association	-	-	50,000	50,000	0%
Staff Recruitment	-	-	25,000	25,000	0%
Commission Stipends	-	-	34,000	34,000	0%
Human Resources Related Costs	-	-	68,000	68,000	0%
	-	-	714,900	714,900	0%
Consultant Services					
Consultant Fees	-	-	1,491,000	1,491,000	0%
Other Professional Fees	41,250	41,250	237,500	196,250	17%
External Reviewers	-	-	5,000	5,000	
	41,250	41,250	1,733,500	1,692,250	2%
Travel & Meetings					
State Prop 10 Commission Activities	-	-	40,000	40,000	0%
Conferences - Travel & Lodging	-	-	86,242	86,242	0%
Conference - Registration Fees	-	-	89,485	89,485	0%
Local Meeting Expenses	973	973	115,900	114,927	1%
Lodging	-	-	84,876	84,876	0%
Per Diem	1,096	1,096	42,488	41,392	3%
	2,069	2,069	458,991	456,922	0%
Capital Improvements					
Capital Outlay (Equipment Purchases)	-	-	120,000	120,000	0%
TOTAL OPERATING EXPENSES	976,828	976,828	20,794,362	19,817,534	5%

NOTES - OPERATING & ADMINISTRATIVE BUDGET UPDATE:

The administrative expenses are within the maximum authorized under the Board policy.

* The FY 2015-16 Operating Budget was approved by the Board of Commissioners on June 11, 2015.

**Los Angeles County Children and Families First -
Proposition 10 Commission
Statement of Net Assets
JULY 31, 2015, Unaudited**

Assets	
Current Assets:	
Cash	\$ 1,110,558
Cash- Morlin Mgmt Corp	26,950
Investment:	
Operating and Allocated funds	509,866,599
Operating Fund - SRI	-
Advance - LA Care Health Plan	8,930,459
Advance - LAUP	26,213,336
Advance - UCLA Dental Home Project	4,267,841
Interest Receivable	-
Other Receivables	23,231,349
Total Current Assets	<u>\$ 573,647,092</u>
Fixed Assets:	
Land	\$ 2,039,000
Building & Improvements	12,076,512
Furniture & Fixtures	627,671
Computer, Software & Accessories	1,755,170
Office Equipment	331,033
Accumulated Depreciation	(4,944,345)
Total Fixed Assets	<u>\$ 11,885,041</u>
Total Assets	<u><u>\$ 585,532,133</u></u>
Liabilities and Net Assets	
Current liabilities:	
Other Liabilities	\$ 30,285,192 (1)
Total Current Liabilities	<u>\$ 30,285,192</u>
Net Assets:	
Investment in capital assets	\$ 11,885,041
Restricted	543,361,900
Total Net Assets	<u>\$ 555,246,941</u>
Total Liabilities and Net Assets	<u><u>\$ 585,532,133</u></u>

NOTES:

(1) Other Liabilities include accounts payable, security deposit from La Petite Academy and other related liabilities.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES
FIRST – PROPOSITION 10 COMMISSION**
(a Component Unit of the
County of Los Angeles, California)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015



Draft Copy 09/11/15.1

Draft Copy 09/11/15.1

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES
FIRST – PROPOSITION 10 COMMISSION**
(a Component Unit of the
County of Los Angeles, California)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Raoul Ortega

Finance Director

Draft Copy 09/11/15.1

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FOR THE YEAR ENDED JUNE 30, 2015**

Table of Contents

Draft Copy 09/11/15.1

INTRODUCTION SECTION:	Page(s)
Letter of Transmittal.....	i
Board of Commissioners	v
Organizational Chart	vi
GFOA Certificate of Achievement.....	vii
 FINANCIAL SECTION:	
Independent Auditors’ Report	1-3
Management’s Discussion and Analysis (Required Supplementary Information).....	4-12
Basic Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	13
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	14
Notes to Basic Financial Statements.....	15-28
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	29
Note for the Required Supplementary Information	30
Other Supplementary Information:	
Schedule of Cares Plus Funding	31
 STATISTICAL SECTION (Unaudited):	
Financial Trends	
Net Position by Component	33
Changes in Net Position	34
Fund Balances – General Fund	35
Changes in Fund Balances – General Fund	36
Revenue Capacity	
First 5 California County Tax Revenue Projections for Fiscal Years 2013-2018	37-38
Cigarette Taxes and Other Tobacco Products Surtax Revenue, 1959-60 to 2012-13	39
Demographic Information	
Demographic Data and Economic Statistics	40
Unemployment Rate	41
Ten Largest Industries.....	42
Operating Information	
Capital Assets Statistics	43
Authorized Positions by Function.....	44
 COMPLIANCE SECTION:	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46
Independent Auditors’ Report on State Compliance	47-48

October 10, 2015

Board of Commissioners
First 5 LA
750 North Alameda Street, Suite 300
Los Angeles, CA 90012

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) for the year ending June 30, 2015, is hereby submitted, as mandated by applicable statutes. These statutes require First 5 LA to annually issue a report of its financial position and activity.

A complete audit of the report by an independent firm of certified public accountants is also required. Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission's management. The information in this report is intended to present the reader with a comprehensive view of the Commission's financial position and the results of its operations for the fiscal year, along with additional disclosures and financial information designed to provide an understanding of First 5 LA's financial activities.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on First 5 LA's financial statements for the year ending June 30, 2015. The independent auditors' report is located at the beginning of the financial section of this report. Management also provides a narrative introduction, overview and analysis of the basic financial statements in the form of the Management's Discussion and Analysis (MD&A).

PROFILE OF THE COMMISSION

First 5 LA was created by the Los Angeles County Board of Supervisors in December 1998 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development.

Over the last fifteen years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocations of more than \$1.5 billion toward grants, programs and operations that improve the well-being of young children and families.

LOCAL ECONOMY

Despite the recent economic downturn, the Los Angeles County economy has seen significant growth over the past decade. The overall population reached its peak of 10.5 million in 2009, followed by a 6.0% decline in 2010. In recent years, the population has gradually begun to increase, with the total population climbing to 10.1 million in 2014. The most recent data for the County shows that per capita personal income increased to its highest level of \$46,506 in 2013, 1.5% above the 2012 level.

The County unemployment level rose significantly from a low of 4.8% in 2006 to a high of 12.6% in 2010, declining to 8.3% in 2014. The trade, transportation and utilities sector remains the dominant industry in the County with the highest number of employees and the largest percentage of total countywide employment. The educational and health services sector is currently the second largest employer, rising from fourth in 2013. The professional/business services and government sectors dropped to third and fourth, respectively, with the leisure and hospitality sector currently ranking as the fifth largest industry in the County.

MAJOR ACCOMPLISHMENTS

First 5 LA is in its first year of implementing the 2015-2020 Strategic Plan: “Focusing for the Future”. The 2015-2020 Strategic Plan was approved by the Commission in November 2014, and is intended to sharpen our focus, improve the impact we seek, live within our means, and strengthen internal capacity to deliver on our mission.

This Strategic Plan lays out a clear path for First 5 LA to maximize its impact to strengthen families and improve outcomes for the greatest number of children prenatal to age 5 in Los Angeles County. Consistent with the Commission’s strategic direction, First 5 LA will place greater emphasis on efforts to contribute to sustainable public financing, public policy and systems-level change, and less emphasis on funding direct services.

To ensure that all children in LA County enter kindergarten ready to succeed in school and life, the Strategic Plan directs that the Commission’s work focus on the following four priority outcome areas, as defined below:

Families: Increased family Protective Factors

- Work with parents and caregivers so that they have the skills, knowledge and access to resources they need to support their child’s development.

Communities: Increased community capacity to support and promote the safety, healthy development, and well-being of children prenatal to age 5 and their families

- Support a community’s ability to foster safe, healthy, engaged neighborhoods that help children and their families thrive.

Early Care and Education Systems: Increased access to high-quality early care and education

- Increase access to affordable, quality child care and preschool.

Health-Related Systems: Improved capacity of health, mental health, and substance abuse services systems to meet the needs of children prenatal to age 5 and their families

- Improve how health-related systems coordinate and deliver care to young children and their families in L.A. County.

The Commission continues to conduct all decision making processes in accordance with the governance guidelines, approved in March 2014 with the intention of advancing important First 5 LA goals, including:

- Transparency and consistency in First 5 LA’s decision-making;
- Coordination, coherence and integration of First 5 LA investments; and
- Accountability for First 5 LA’s declining revenues.

These guidelines continue to ensure that decisions made by the Commission are guided by the principles of financial responsibility, accountability, and adherence to the Commission's Strategic Plan.

Finally, First 5 LA is proud to have received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the seventh consecutive year for the Commission's CAFR.

LOOKING AHEAD

First 5 LA enters into the first year of the 2015-2020 Strategic Plan mindful of the fiscal reality of declining resources, as well as the need to continue both refining the strategies and activities outlined in the 2015-2020 Strategic Plan, and assessing the alignment of current work to the new outcomes. We will continue working to advance Commission priorities with a renewed focus on sustainability and leveraging, and with consideration paid to the fiscal outlook presented in the most recent Long Term Financial Projection.

The next fiscal year represents a transitional year, as spending continues for roughly two dozen ongoing initiatives that will soon either end or ramp down, while simultaneously accounting for recent commitments made by the Commission to continue to prioritize investments in Welcome Baby and Select Home Visiting, the Best Start Communities, and policy efforts, as well as providing resources for more developmental activity to advance the 2015-2020 Strategic Plan.

OTHER FINANCIAL INFORMATION

Internal Control

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. The internal control structure is designed to protect the Commission's assets from loss, theft or misuse and to ensure that adequate accounting data is compiled for the preparation of the financial statements in conformity with Generally Accepted Accounting Principles. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Budgetary and Accounting System

The Commission is not required to adopt a budget for the following year before the end of each fiscal year. However, the Commission has historically adopted a budget to ensure controlled spending. Any increase to previously adopted appropriations during the fiscal year requires Commission approval. The Executive Director has the authority to make adjustments to the operating budget in an amount not to exceed \$25,000, and any adjustments to the adopted fiscal year budget for programs must be approved by the Commission. Monthly financial updates are also provided to the Board of Commissioners. The Commission has not adopted or revised any financial policies that may have a significant impact on the current period's financial statements.

Long Term Financial Planning

Each year, First 5 LA updates its Long Term Financial Projection (LTFP), a five-year forecast that includes revenue, fund balance, program commitments, expenditure projections and operating expenses. The goal of the LTFP is to aid in the Commission's financial stewardship role by showing the long-term implications of funding decisions. Changes to the LTFP may be driven by updates to actual financial data or action taken by the Commission. The most recent LTFP approved by the Commission in February 2015 demonstrates that while resources are adequate

to cover existing obligations in the short-term, the current rate of spending is unsustainable in the long-term.

ACKNOWLEDGEMENTS

The Commission’s Comprehensive Annual Financial Report was prepared through the combined efforts of all First 5 LA staff. Special recognition is due to the Finance Department staff for their effort to ensure timely and accurate reporting. I would also like to thank the Board of Commissioners for their continued support and interest in planning for the financial operations of First 5 LA in a responsible and thoughtful manner.

Sincerely,

Kim Belshé
Executive Director

KB: ro

DRAFT

FIRST 5 LA

Commissioners

Michael D. Antonovich, Los Angeles County Supervisor, Chair
Philip L. Browning, Vice Chair
Judy Abdo
Nancy Haruye Au
Jane Boeckmann
Duane Dennis
Sandra Figueroa-Villa
Marvin J. Southard, D.S.W.
Joseph Ybarra Jr., Ph.D.

Ex-Officio Commissioners

Patricia Curry
Cynthia A. Harding, M.P.H.
Karla Pleitéz Howell
Deanne Tilton

Alternate Commissioners

Suzanne Bostwick
Dayton Gilleland
Terry Ogawa
Rhelda Randal Shabazz

Executive Director

Kim Belshé

Chief Operating Officer

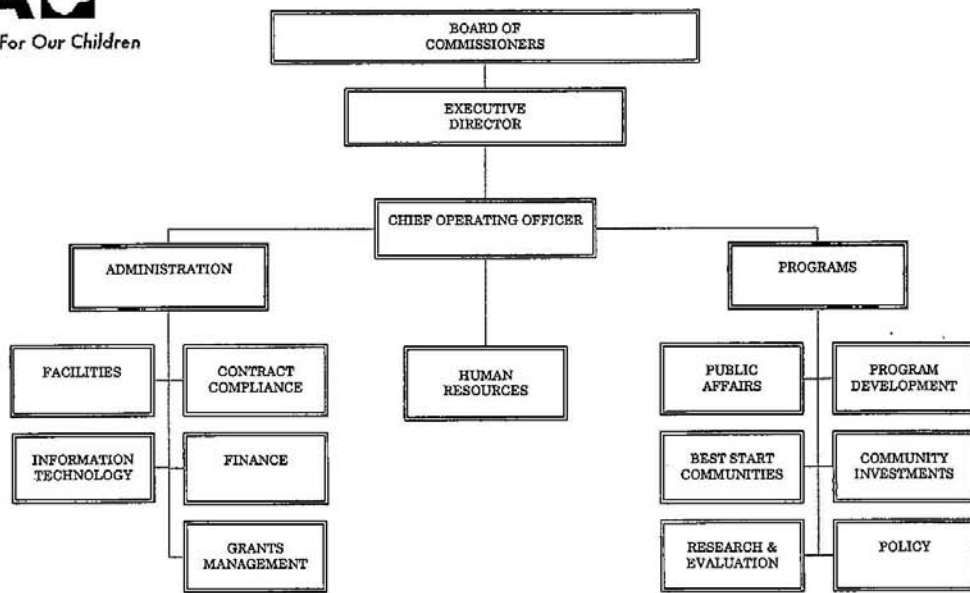
John A. Wagner

Department Chief

Teresa Nuno, Chief of Programs and Planning

Department Heads

Peter Barth, Policy and Intergovernmental Affairs
Gala Collins, Human Resources
Barbara Dubransky, Program Development
Jennifer L. Eckhart, Contract Compliance
Tara Ficek, Grants Management
Rafael González, Best Start Communities
Roozbeh Hamouni, Information Technology
Armando Jimenez, Research and Evaluation
Jessica Kaczmarek, Office of Strategic Planning and Integration
Raoul Ortega, Finance
Jennifer L. Pippard, Community Investments
Gabriel Sanchez, Communications and Marketing





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**First 5 LA
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Los Angeles County Children and Families
First – Proposition 10 Commission
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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, 2015, and the respective changes in financial position thereof 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 and budgetary comparison information on pages 4 through 12 and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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.

Rancho Cucamonga, California
_____, 2015

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 06/11/15.1

This section of the Los Angeles County Children and Families First – Proposition 10 Commission (the “Commission”) comprehensive annual financial report presents management’s discussion and analysis of the Commission’s financial performance during the year ending June 30, 2015. This discussion and analysis is intended to be read in conjunction with the Commission’s basic financial statements and accompanying notes.

Financial Highlights

- The Commission received a total of \$99.8 million in revenues from First 5 California (the State), reflecting a 7.88% decrease of \$8.5 million from \$108.3 million in FY 2013-14. Total program revenues for FY 2014-15 in the amount of \$104.5 includes tobacco taxes, as well as pass-through funds for programs such as the Child Signature Program, Medi-Cal Administrative Activities and the LA County Partnership for Families program funded through the Department of Children and Family Services.
- Commission expenses totaled \$200.0 million in FY 2014-15, representing a 2.85% decrease of \$5.9 million from \$205.8 million in FY 2013-14.
- The Commission’s liabilities increased from \$39.3 million in FY 2013-14 to \$41.2 million in FY 2014-15, reflecting a total increase of approximately \$1.9 million, or 4.89%.
- The Commission’s total net position decreased from \$644.8 million in FY 2013-14 to \$555.4 million in FY 2014-15, a decline of approximately \$89.4 million, or 13.86%.

Overview of the Financial Statements

The comprehensive annual financial report consists of two parts, this management’s discussion and analysis and the basic financial statements, including: government-wide financial statements, fund financial statements, and notes to the basic financial statements. The Commission’s financial statements offer key, high-level financial information about its activities.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission’s finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the Commission’s overall financial status.

The Statement of Net Position includes information on all of the Commission’s assets and liabilities, with the difference between assets and liabilities 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 deteriorating.

The Statement of Activities presents information showing how the Commission’s net position changed 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.

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 legal requirements. All of the Commission’s activities are accounted for in the general fund.

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 09/11/15.1

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the year.

While a nine-member Board of Commissioners governs the Commission, the Commission was created by, and ultimately is, under the authority of the Los Angeles County Board of Supervisors, in accordance with California State Law, through its appointment of the Board of Commissioners and its ability to remove the Commissioners at will. Consequently, the County of Los Angeles Auditor-Controller’s Office has designated the Commission as a “discretely presented component unit” of the County of Los Angeles and includes a summary of the Commission’s basic financial statements in the County’s basic financial statements.

Government-wide Financial Statements Analysis

The following is a summary of the Commission’s assets, liabilities and net position comparing FY 2014-15 with FY 2013-14:

	FY 2014-15	FY 2013-14	Percent Increase (Decrease)
Assets:			
Current and other assets	\$ 584,759,224	\$ 671,992,828	-12.98%
Capital assets	11,885,041	12,082,438	-1.63%
Total assets	596,644,265	684,076,266	-12.78%
Liabilities:			
Long-term liabilities	577,909	568,434	1.67%
Other liabilities	40,659,573	38,745,228	4.94%
Total liabilities	41,237,482	39,313,662	4.89%
Net Position:			
Unrestricted	543,521,742	632,680,166	-14.09%
Net invested in capital assets	11,885,041	12,082,438	-1.63%
Total net position	555,406,783	644,762,604	-13.86%
Total liabilities and net position	\$ 596,644,265	\$ 684,076,266	-12.78%

The Commission’s total assets of \$596.6 million represent a decrease of \$87.4 million, or a 12.78% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately \$87.2 million. The key factor contributing to this reduction in total assets is that total expenses, including program expenses (such as provider grants and contractors), were higher than the total revenue by \$89.4 million.

The \$197,397 decrease in capital assets resulted from continued depreciation of the Commission’s assets. The depreciation expense for FY 2014-15 was \$322,346. Additional information on capital assets can be found in Note 3 of this report.

Other liabilities in FY 2014-15 increased by 4.94% over the prior year and are primarily due to greater activities related to Account Payable in the current year compared to the prior year in the amount of \$1.82 million.

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 09/11/15.1

The following is a summary of the Commission’s revenues, expenses and change in net position comparing FY 2014-15 with FY 2013-14:

	FY 2014-15	FY 2013-14	Percent Increase (Decrease)
Revenues:			
Program revenues			
Tobacco taxes	\$ 89,475,135	\$ 90,280,307	-0.89%
Other State Commission program funds	10,283,414	18,009,907	-42.90%
Medi-Cal Administrative Activities	80,799	232,407	-65.23%
Partnership for Families funds	4,615,313	-	100%
Total program revenues	104,454,661	108,522,621	-3.75%
General revenues			
Investment income	3,903,275	6,368,593	-38.71%
Net increase in FMV of investments	2,152,879	-	N/A
Other income	104,072	100,320	3.74%
Total general revenues	6,160,226	6,468,913	-4.77%
Total revenues	110,614,887	114,991,534	-3.81%
Expenses:			
Provider grants and other allocations	168,766,806	189,910,283	-11.13%
Pass-through grants	14,225,131	N/A	N/A
Salaries and benefits	13,423,832	12,682,373	5.85%
Operating services	1,346,532	1,207,258	11.54%
Consultant services	1,216,609	956,488	27.20%
Professional services	404,560	543,038	-25.50%
Other expenses	264,892	183,974	43.98%
Depreciation	322,346	353,258	-8.75%
Total expenses	199,970,708	205,836,672	-2.85%
Change in net position:	(89,355,821)	(90,845,138)	-1.64%
Net position – beginning	644,762,604	735,607,742	-12.35%
Net position – ending	\$ 555,406,783	\$ 644,762,604	-13.86%

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 09/11/15.1

Revenues

The Commission received a total of \$110.6 million in revenues for FY 2014-15, reflecting a decrease of \$4.4 million, or 3.81% compared with the prior year’s total revenues of \$115.0 million. The overall changes in revenue are due to the following.

Tobacco Tax

Tobacco tax revenue decreased from \$90.3 million in FY 2013-14 to \$89.5 million in FY 2014-15, a reduction of \$805,172, or 0.89%. This decrease is primarily due to declining sales of tobacco products and increased administrative fees assessed by the State Board of Equalization for the collection of tobacco taxes.

Other State Commission Program Funds

Other State Commission program funds decreased from \$18.0 million in FY 2013-14 to \$10.3 million in FY 2014-15, a reduction of \$7.7 million, or 42.90%. \$9.9 million was recorded in FY 2014-15 for the Child Signature Program. In addition, \$27,872 from the First 5 California Surplus Money Investment Fund (SMIF) was also recorded for FY 2014-15. The decrease from FY 2013-14 is primarily related to the timing of when First 5 LA received roughly \$7.2 million in reimbursement for the FY 2012-13 First 5 California Child Signature Program and \$293,725 for the FY 2012-13 First 5 California CARES Plus program, amounts that were recorded in FY 2013-14.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities (MAA) program decreased from \$232,408 in FY 2013-14 to \$80,799 in FY 2014-15. The program, contracted through the County of Los Angeles, assists in the administration of the Medi-Cal program by improving the availability and accessibility of Medi-Cal services to eligible participants. While this decrease is a result of less activity reported this year than in the prior year, it is important to note that MAA reimbursements are based on activities that are reimbursed from 18 months prior to billing.

Investment Income

The Commission earned \$3.9 million of investment income in FY 2014-15, which was an increase of roughly \$300,000, or approximately 8.3%, compared with the \$3.6 million earned in the prior year. In previous years, First 5 LA included the Fair Market Value adjustment under investment income within the Statement of Activities. For FY 2014-15, in order to promote greater transparency and to more accurately reflect true interest earned, First 5 LA separated these amounts within the Statement of Activities. For FY 2014-15, the Fair Market Value adjustment is \$2.2 million, compared to \$2.8 million in FY 2013-14.

Partnership for Families Fund

The Commission recorded \$4.6 million in revenue under a new contract agreement with the Department of Children and Family Services (DCFS) to fund the Partnership for Families (PFF) program. While First 5 LA funding for PFF ended in December 2014, the program continued through funding from DCFS. First 5 LA agreed under contract to manage the program structure in order to allow DCFS additional time to continue with their formal procurement process and the eventual management of the program.

Other Revenues

The Commission generated other revenue primarily through a lease agreement it has with La Petite Academy. This revenue increased by \$3,752, from \$100,320 in FY 2013-14 to \$104,072 in FY 2014-15.

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 09/11/15.1

Expenses

The Commission expended approximately \$200.0 million in FY 2014-15 compared with \$205.8 million in FY 2013-14, a decrease of \$5.87 million, or 2.85%. The \$5.87 million net decrease in overall expenditures encompasses the following from FY 2013-14.

Provider Grants and Other Allocations

In previous years, the Commission included expenditures related to “pass-through grants” within the line item “Provider grants and other allocations”. For FY 2014-15, these pass-through funds were reflected separately in order to promote greater transparency and to more accurately reflect true “Provider grants and other allocations” expenditures. Because of this change, the table above reflects a larger variance compared to the prior year of 11.13%. When adjusted for prior year pass-through funds, the Commission experienced a decrease of \$2.91 million, or 1.70%, expending approximately \$168.8 million in FY 2014-15 compared to \$171.7 million in FY 2013-14 for “Provider grants and other allocations”. The net decrease is a result of many initiatives ramping down or ending, even while some initiatives began to experience a ramp up of activities during FY 2014-15. The following details activity based on the Commission’s investment categories during the fiscal year:

- **Place-Based Investments:** Spending for Place-Based investments increased by over \$9.2 million from the prior year primarily due to a continued ramp up of the Welcome Baby and Select Home Visitation programs, as well as activities ramping up within the 14 Best Start Communities with further implementation of the Building Stronger Families Framework.
- **Countywide Strategies:** An overall decrease within this investment category is due to the end of funding for the Matching Grant program and the Early Head Start Matching Grant program, as well as lower expenditures for Health Access (Healthy Kids) due to a decline in enrollment during FY 2014-15 and two program enhancements that were accounted for in FY 2013-14.
- **Countywide Initiatives:** Significant increases over prior year expenditures were noted in Children’s Dental Care (\$1.1 million, or 22.33%), Little by Little/One Step Ahead (\$0.9 million, or 56.62%), Reducing Childhood Obesity (\$5.0 million, or 67.72%), and Universal Assessment of Newborns (\$3.4 million or 156.59%). These were offset by initiatives with decreases from the prior year, including Substance Abuse Treatment Services (\$1.5 million, or 29.69%), Tot Parks and Trails (\$3.2 million, or 74.15%), and a decrease in Permanent Supportive Housing in the amount of \$10.0 million, which was recognized in FY 2013-14 with no further expenditures in FY 2014-15.
- **Prior Strategic Plan Investments:** As anticipated for initiatives originating from the prior strategic plans, many of these investments ended or were winding down in FY 2014-15, including Baby Friendly Hospitals, Community Opportunities Fund, Family Place Libraries, and Oral Health & Nutrition. A number of initiatives also ended in FY 2013-14, with no expenditures in FY 2014-15, including Family Friends and Neighbors, School Readiness Initiative, Healthy Births, and Family Literacy.

Pass-through Grants

In previous years, the Commission included expenditures related to “pass through grants” within the line item “Provider grants and other allocations”. For FY 2014-15, in order to promote greater transparency and to more accurately reflect true “Provider grants and other allocations” expenditures against the approved fiscal year budget, For FY 2014-15, \$14.2 million was recorded as “pass through grants” compared to \$18.2 in FY 2013-14. Of the \$14.2 million, \$9.8 million for the First 5 California Child Signature Program (CSP), \$4.4 million for the Los Angeles County Department of Children and Family Services Partnership for Families (LAC-PFF) program, and \$33,456 for Medi-Cal Administrative Activities.

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 09/11/15.1

Salaries and Benefits

Salaries and Benefits increased from FY 2013-14 by \$741,459 or 5.85%. The increase is due to fewer vacant positions than in FY 2013-14, as well as the implementation of Phase 1 of the recently adopted compensation philosophy by the Commission in November 2014. The adopted compensation philosophy included changes to the organization’s salary structure, a modification to the existing 403(b) match to lower the maximum contribution from six to three percent, and the introduction of a new non-elective employer contribution component to the plan. The increase in FY 2014-15 related to the new non-elective component is roughly \$225,646.

Operating Services

Compared to the prior year, there was an 11.54% increase in costs related to general operating services. The Commission experienced significant increases in costs related to corporate insurance, workers compensation, printing, human resources costs, hardware and software maintenance and contingency funding. These increases were offset by decreases in office supplies, subscriptions and publications, capital outlay (equipment), Los Angeles County overhead, facilities and utilities expenses.

Consultant Services

Consultant services increased from FY 2013-14 by \$260,121 or 27.21%. The increase is primarily due to continued organizational development efforts, ongoing strategic planning processes and the compensation study.

Professional Services

Professional services decreased from FY 2013-14 by \$138,478 or 25.50%. The decrease is primarily due to fewer costs related to legal fees, membership dues, and staff recruitment, as well as to the fact that First 5 LA prepaid dues for the FY 2014-15 First 5 Association annual memberships in FY 2013-14. The decrease was offset by increases in auditing fees and costs for Commission stipends.

Budgetary Highlights

Based on the information provided in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, the following analysis is presented.

Final Revenue Budget vs. Actual Revenue

The information below provides a summary of the primary factors that caused the variance between revenue estimates and actual revenue.

Tobacco Taxes

Actual tobacco tax revenue of \$89.5 million was approximately 1.89% higher than the anticipated amount of \$87.8 million. The original estimate was based on data from the State Board of Equalization dated June 4, 2014. On June 2, 2015, updated State projections estimated \$84.7 million in revenue for FY 2014-15, roughly \$4.8 million below actual.

State Commission Program Funds

State Commission Program Funds in the amount of \$11.1 million were recorded in FY 2014-15 for the First 5 California Child Signature Program, the CARES Plus program and SMIF.

Investment Income

Investment income of \$3.9 million was earned in FY 2014-15. The monthly average return of 0.72% is lower than the 0.75% anticipated and included in the Long Term Financial Projection approved by the Commission in February 2015.

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 09/11/15.1

Original Expenditure Budget vs. Final Expenditure Budget

The following provides a brief summary of the primary factors that contributed to the increase in the final budgeted expenditures compared with the original budgeted expenditures.

Provider Grants and Other Allocations

The overall Program Budget (Provider Grants and Other Allocations) was adjusted downward during the year by \$15.1 million, or 6.82%. In March 2015 the Commission approved a mid-year budget revision reducing the Best Start - Family Strengthening investment by \$4.1 million, the Countywide Strategies by \$2.0 million, the Countywide Initiatives by \$7.2 million, and the Research & Evaluation projects by roughly \$2.0 million. The overall reduction is driven by slower than anticipated ramp up, actual contracts coming in lower than the original budget estimates and underutilization within some of the direct service programs.

General Operating Expenditures

Funds were adjusted downward by \$114,150 at mid-year. This decrease, which includes a number of transfers both in and out, is primarily due to a transfer of \$85,000 in Contingency funding from the Executive and Best Start Communities Departments to cover needs within Consultant Services.

Professional Services

Funds were adjusted downward by \$4,600 at mid-year to reflect a revised projection based on expenditures through January 2015.

Consultant Services

Funds were adjusted upward at mid-year, resulting in a net increase of \$471,000. This is driven primarily by additional needs identified to support the continued organizational development efforts and ongoing strategic planning implementation, as well as a small amount to support analysis and convening of stakeholders interested in informing the development of a future funding model for First 5 LA.

Travel and Meeting

Funds were adjusted upward at mid-year by \$129,282 to reflect revised projections based on expenditures through January 2015. Specifically, the primary driver was \$100,000 estimated for local meetings to convene external stakeholders around First 5 LA’s 2015-2020 Strategic Plan to create greater awareness and understanding about the Strategic Plan as well as provide an opportunity for parents, community leaders, nonprofit, and public representatives to share their insights and best thinking about implementation activities.

Final Expenditure Budget vs. Actual Expenditure Amounts

The following provides a summary of the primary factors causing the significant variances in the actual expenditures compared with the final budgeted expenditures.

Provider Grants and Other Allocations

The total Provider Grants and Other Allocations variance for FY 2014-15 is \$37.3 million, excluding pass-through costs. Of that variance, the Countywide Initiatives represent \$13.6 million, or 36.50%, Prior Strategic Plan Initiatives represent \$12.0 million, or 32.12%, and Place-Based Initiatives represent \$6.9 million, or 18.41%. Underutilization is primarily due to slower ramp up than originally anticipated, and in the case of Black Infant Health, other sources like Title V, State General and Title XIX funds that were identified, preserving allocated First 5 LA funds for use in later years.

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

Draft Copy 09/11/15.1

Pass-through Grants

The Commission’s annual fiscal year budget is developed to include planned expenditures of Commission funds only, programs that are funded via pass-through grants in which the Commission acts as an intermediary are not included in the annual budget. Because pass-through grants were included with Provider Grants and Other Allocations in previous years, expenditures related to pass-through grants were reflected separately beginning in FY 2014-15 to more accurately represent expenditures of Commission funded provider grants and other allocation and to promote transparency.

Salaries and Benefits

Salary and benefit costs were lower than budgeted, with a variance of \$1.3 million. This is due to a combination of regular employee turnover and vacant positions, as well as a conservative budgeting approach. Specifically, for FY 2014-15 vacant positions were budgeted at the mid-range of the salary guidelines and were also budgeted for a full 12 months.

Workers Compensation Insurance

Costs related to Workers Compensation Insurance were higher than budgeted, with a variance of \$43,520, or 35%. This is due to a deposit made during FY 2014-15 for FY 2015-16 premiums.

Corporate Insurance

Corporate Insurance costs were higher than budgeted, with a variance of \$30,812, or 42%. This is due to payment for FY 2015-16 premiums that was paid in FY 2014-15.

Telephone & Modems

Expenditures exceeded the budget by \$27,644, or 37%. The overage is primarily due to a significant increase in long-distance telephone charges related to conference calls.

Equipment Repairs and Maintenance

Equipment Repairs and Maintenance costs were lower than budgeted, with a variance of \$56,081, or 95%. This is due to fewer repairs and maintenance than originally anticipated for FY 2014-15.

Miscellaneous Service Charges

Miscellaneous Service Charges, representing Los Angeles County Overhead costs, were lower than budgeted, with a variance of \$51,415, or 90%. This underspending is primarily due to lower claims processed by Los Angeles County on behalf of First 5 LA under the Medi-Cal Administrative Activities program due to a lower participation rate.

Professional Development

Professional Development costs were lower than budgeted, with a variance of \$209,906, or 85%. This is primarily due to the cost-effective approach of utilizing coaching consultants to support organization-wide development efforts through the course of the Strategic Planning and Implementation process. Further, due to the organization’s efforts to establish a comprehensive professional development approach, some intended expenses were temporarily placed on hold.

External Reviewers

Costs for External Reviewers were lower than budgeted, with a variance of \$2,560, or 64%. This is due to the need being less than originally projected.

Program Events

Costs for Program Events were lower than budgeted, with a variance of \$12,916, or 86%. This is because anticipated policy and advocacy events in Sacramento and Washington D.C. did not take place as originally expected.

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

The final budget for Operations remained the same at \$19.4 million for FY 2014-15, while the Program Budget was decreased by \$15.1 million due to reductions driven by slower than anticipated ramp up, actual contracts coming in lower than the original budget estimates and underutilization within some of the direct service programs.

Other Potentially Significant Matters

The State projects a continuing decrease of State Tax Allocations revenue. The projected annual revenue decrease is estimated to be 9.60% through FY 2015-16 based on the Department of Finance May revised published June 2, 2015.

Contacting the Commission’s Financial Management

This financial report is designed to provide the public with an overview of the Commission’s financial operations and condition. If you have questions about this report or need additional information, please contact the Commission’s Director of Finance at (213) 482-5902 or 750 N. Alameda Street Suite 300, Los Angeles, California 90012.

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2015

Draft Copy 09/11/15.1

	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash	\$ 1,411,326	\$ -	\$ 1,411,326
Investments	519,357,312	-	519,357,312
State receivable	24,052,149	-	24,052,149
Investment income receivable	526,801	-	526,801
Advances to grantees	39,411,636	-	39,411,636
Capital assets:			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	9,846,041	9,846,041
Total assets	\$ 584,759,224	\$ 11,885,041	\$ 596,644,265
Liabilities			
Accounts payable and accrued liabilities	\$ 40,643,093	\$ -	40,643,093
Other liabilities	-	16,480	16,480
Compensated absences:			
Due within one year	-	75,544	75,544
Due in more than one year	-	502,365	502,365
Total liabilities	40,643,093	594,389	41,237,482
Deferred Inflows of Resources			
Unavailable revenue - State Commission Program Funds	6,574,807	(6,574,807)	-
Unavailable revenue - Partnership for Families Funds	913,320	(913,320)	-
Total deferred inflows of resources	7,488,127	(7,488,127)	-
Fund balance/net position			
Fund balance:			
Nonspendable	39,411,636	(39,411,636)	-
Committed	340,879,636	(340,879,636)	-
Assigned	78,113,279	(78,113,279)	-
Unassigned	78,223,453	(78,223,453)	-
Total fund balance	536,628,004	(536,628,004)	-
Net position:			
Net investment in capital assets	-	11,885,041	11,885,041
Unrestricted	-	543,521,742	543,521,742
Total net position	-	555,406,783	555,406,783
Total liabilities, deferred inflows of resources and fund balances/net position	\$ 584,759,224	\$ 11,885,041	\$ 596,644,265

See accompanying notes to the basic financial statements.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions:			
Tobacco taxes	\$ 89,475,135	\$ -	\$ 89,475,135
State Commission Program Funds	11,050,327	(766,913)	10,283,414
Medi-Cal Administrative Activities	80,799	-	80,799
Partnership for Families Funds	3,701,993	913,320	4,615,313
Total program revenues	104,308,254	146,407	104,454,661
General revenues			
Investment income	3,903,275	-	3,903,275
Net increase in FMV of investments	2,152,879	-	2,152,879
Other revenues	104,072	-	104,072
Total general revenues	6,160,226	-	6,160,226
Total revenues	110,468,480	146,407	110,614,887
Expenditures/expenses			
Provider grants and other allocations	168,766,806	-	168,766,806
Pass-through grants	14,225,131	-	14,225,131
Salaries and benefits	13,414,357	9,475	13,423,832
Operating services	1,346,532	-	1,346,532
Consultant services	1,216,609	-	1,216,609
Professional services	404,560	-	404,560
Other expenses	264,892	-	264,892
Capital outlay	124,949	(124,949)	-
Depreciation	-	322,346	322,346
Total expenditures/expenses	199,763,836	206,872	199,970,708
Excess/(deficiency) of revenues over/(under) expenditures	(89,295,356)	-	-
Change in Fund Balance	(89,295,356)	89,295,356	-
Change in Net Position	-	(89,355,821)	(89,355,821)
Fund balance/net position			
Beginning of year	625,923,360	18,839,244	644,762,604
End of year	\$ 536,628,004	\$ 18,778,779	\$ 555,406,783

See accompanying notes to the basic financial statements.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

With the passage of a ballot initiative in November 1998, California (the “State”) voters approved the establishment of the Los Angeles County Children and Families First – Proposition 10 Commission (the “Commission”), a component unit of Los Angeles County. A thirteen-member Board of Commissioners governs the Commission. The Commission was created by and ultimately is under the authority of the Los Angeles County Board of Supervisors, in accordance with California State Law, through its appointment of the Board of Commissioners and its ability to remove the commissioners at will. The Commission is a public entity legally separate and apart from the County. The initiative, Proposition 10, mandated an additional 50-cent-per-pack tax on cigarettes and a comparable increase in the tax of other tobacco products and required that the new funds be used on programs focused exclusively on early childhood development for children prenatal up to five years of age.

Following the directive of Proposition 10 to fund programs at the community level, each of the State’s 58 counties created a Proposition 10 Commission as well as a trust fund to receive Proposition 10 revenues. In Los Angeles County, the Board of Supervisors passed an ordinance in December 1998 to establish the Los Angeles County Children and Families First – Proposition 10 Commission, and in May 1999 the Commission held its first meeting, elected officers and established a number of ad hoc committees to address organizational and planning issues. The Commissioners and others who were involved in the effort regarded Proposition 10 as an extraordinary and unprecedented opportunity to begin making a difference in the lives of pregnant women, young children and their families, and to do so at a point in their lives when it can make the most difference. In August 2002, the Commission introduced a new branding identity, First 5 LA, to signify the importance of the first five years of life.

The Commission’s vision statement is that all children throughout Los Angeles’ diverse communities, “are born healthy and raised in a safe, loving and nurturing environment so that they grow up healthy in mind, body, and spirit, are eager to learn with opportunities to reach their full potential.” The Commission’s mission, in partnership with others, is to “strengthen families, communities, and systems of services and support so all children in LA County enter kindergarten ready to succeed in school and life.”

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

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.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

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

Government-wide Financial Statements (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with operation of the Commission's fund are included on the statement of net position. 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, and state school matching funds. General revenues are all revenues that do not qualify as program revenues and include investment income and other income. Net position represent the resources that the Commission has available for use in providing services. Net position is composed of net investment in capital assets and unrestricted funds. At June 30, 2015, the Commission reported unrestricted net position of \$543,521,742.

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current-financial resources measurement focus. The fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current assets. 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, grants, and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences which are recorded only when payment is due.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Capital Assets

Capital assets are not considered to be financial resources and therefore, are not reported as an asset in the fund financial statements. Capital assets in the amount of \$11,885,041 are capitalized and reported at cost, net of accumulated depreciation, in the government-wide financial statements. Capital assets purchased during the year in the amount of \$124,949 are reported as expenditures on the fund financial statements and capitalized on the government-wide financial statements. Depreciation expense for the year ended June 30, 2015 amounted to \$322,346 and is included in the government-wide financial statements.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

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

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

Long-Term Liabilities

As of June 30, 2015, the Commission estimated its liability for vested compensated absences to be \$577,909. Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities. The change in compensated absences during the year of \$9,475 is reported in the statement of activities and does not require the use of current financial resources.

For the year ended June 30, 2015, the Commission maintained a security deposit in the amount of \$16,840 related to a facility use agreement with La Petite Academy for use of the first floor of the Commission’s building for the period of July 1, 2012 through June 30, 2020.

Unavailable Revenue

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission’s established availability period of 60 days. All other accrued revenues due to the Commission are recognized as unavailable revenue at year-end in the fund financial statements. Governmental funds recognized unavailable revenue where receivables are not available to liquidate liabilities of the current period. As of June 30, 2015, the Commission has unavailable revenue of \$7,488,127. The change in unavailable revenue during the year of \$146,407 is reported in the statement of activities as this revenue was recognized in the prior year statement of activities.

Net Position

In the government-wide financial statements, net position represents the difference between assets less liabilities and is classified into two components.

- Net investment in capital assets – This balance reflects the net position of the Commission that are invested in capital assets. This amount is generally not accessible for other purposes.
- Unrestricted net position – This balance represents the net amount of the assets and liabilities that are available for general use.

Fund Balance

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

- a. Nonspendable
Portion of net resources that cannot be spent because they are not in an expendable form (e.g. Prepaid Expense) or the portion of net resources that cannot be spent because they must be maintained intact (e.g. revolving fund or the principal of an endowment).

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

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

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

Fund Balance (Continued)

- b. Restricted (externally enforceable limitations on use)
Amounts constrained to specific purposes by their providers (such as creditors, grantors, contributors, or laws and regulations of other governments (e.g. funds advanced by First 5 CA under specific agreements for services such as matching funds for specific initiatives). Amounts constrained by limitations imposed by law through constitutional provisions or enabling legislation (e.g. funds legally restricted by County, state, or federal legislature, or a government’s charter or constitution; or amounts collected from non-spendable items such as long term portion of loan outstanding if those amounts are subject to legal constraint).

- c. Committed (self-imposed limitations in place prior to end of the period)
Amounts constrained by limitations imposed at the highest level of decision making authority that requires the same formal action at the same level to remove or modify. The formal action required by the Board of Commissioners for funds to be committed is action by way of resolution allocating funding for a specific program or initiative.

- d. Assigned (limitation resulting from intended use)
Amounts or limitations that are constrained by the Commission’s intent to be used for a specific purpose (the purpose of the assignment must be narrower than the general fund itself) and are not either restricted or committed. Adoption of a Strategic Plan or Long Term Financial Plan with general spending parameters would be examples of the Commission’s intent and would constitute an assignment. Accordingly, modification to the Commission’s intent would not require formal action. Further, the Commission may designate a body/committee or an official who can specify such purposes. However as of June 30, 2015, the Commission had not made such a designation.

- e. Unassigned (residual net resources)
Resources in the fund balance that cannot be reported in any other classification including a minimum fund balance reserve based on 25% of the operating and programmatic budget.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first and then unrestricted resources as needed. The spending priority of fund balance is restricted, committed, assigned, and then unassigned.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

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

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Draft Copy 09/11/15.1

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

Effective This Fiscal Year (Continued)

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

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Commission has determined that this statement does not have a material impact on the financial statements.

Effective in Future Fiscal Years

GASB Statement No. 72 – In February 2015, GASB issued Statement 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. The Commission has not determined the effect on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement is effective for periods beginning after June 15, 2015. The Commission has not determined the effect on the financial statements.

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

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

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

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

Effective in Future Fiscal Years (Continued)

GASB Statement No. 75 – In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. The Commission has not determined the effect on the financial statements.

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

GASB Statement No. 77 – In August 2015, GASB issued Statement 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Commission has not determined the effect on the financial statements.

Investments

The Commission participates in the common investment pool of Los Angeles County. Investments are recorded at fair value at June 30, 2015.

Advances to Grantees

The Commission may provide advances to grantees/contractors that are repayable by the end of the fiscal year unless otherwise stipulated by contract or agreement. The Commission provided three advances to grantees for the fiscal year ended June 30, 2015. The largest of the advances is provided to Los Angeles Universal Preschool which provides quality preschool education and early childhood programs regardless of their families' income.

Capital Assets

Capital assets are composed of buildings, building improvements, computer software and accessories, office equipment and furniture and fixtures and are recorded at cost. The Commission capitalizes assets with a cost in excess of \$5,000 and/or special projects with a useful life greater than one year. The Commission depreciates capital assets using a straight-line method over the estimated useful life of fifty years for buildings, four years for computers and five years for office equipment and furniture and fixtures. Building improvements are depreciated over the remaining useful life of the building.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission has one type of deferred inflow, unavailable revenue, which occurs only under the modified accrual basis of accounting. Accordingly, the item is reported only in the governmental fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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.

NOTE 2 – CASH AND INVESTMENTS

Total cash and investments at fair value, as of June 30, 2015 are as follows:

Cash:	
Cash on hand	\$ 150
Cash in bank	1,411,176
Total Cash	1,411,326
Investments with County Treasurer:	
Pooled cash and investments	519,357,312
Total investments with County Treasurer	519,357,312
Total Cash and Investments	\$ 520,768,638

Cash in Bank

The *California Government Code* requires California banks and savings and loan associations to secure the Commission's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2015, cash held by financial institutions of \$3,376,402 was entirely insured and collateralized as described above. The book balance at June 30, 2015 was \$1,411,176.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 2 – CASH AND INVESTMENTS (Continued)

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2015 are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant’s position in the pool is the same as the value of the pool shares. The method used to determine the value of participants’ equity withdrawn is based on the book value of the participants’ percentage participation at the date of such withdrawals. The Los Angeles County Treasury is sponsored and administered by the County of Los Angeles and oversight is conducted by the County Treasury Oversight Committee. At June 30, 2015, the weighted average maturity for the County pool approximated 595 days and the County pool is not rated. For further information regarding the Los Angeles County Investment Pool, refer to the County of Los Angeles Comprehensive Annual Financial Report.

The table below identifies the investment types that are authorized by the California Government Code or the Commission’s investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the Commission’s investment policy for the Specifically Invested Portfolio, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

Type	Limit Per Issuer	Total Limit	Maximum Maturity
Certificates of Deposits (CDs)	5%	30%	5 Years
Commercial Paper (CP)	5%	40%	5 Years
Corporate Notes	5%	30%	5 Years
Federal Agencies	15%	60%	5 Years
U.S. Treasuries	100%	100%	5 Years
Los Angeles County Investment Pool	None	None	N/A

The County Treasurer’s Investment Policy diversifies investments among issues and issuers with a minimum credit rating to mitigate credit risk. For an issuer of short-term debt, the rating must be no less than P-1/A (Moody’s) or A-1/A (S&P) while an issuer of long-term debt shall be rated no less than A.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 3 – CAPITAL ASSETS

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not depreciated:				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets, depreciable:				
Building and improvements	12,076,512	-	-	12,076,512
Computer software and accessories	1,630,221	124,949	-	1,755,170
Office equipment	331,035	-	-	331,035
Furniture and fixtures	627,670	-	-	627,670
Total Depreciable Capital Assets	<u>14,665,439</u>	<u>124,949</u>	<u>-</u>	<u>14,790,387</u>
Less accumulated depreciation:				
Building and improvements	(2,192,536)	(242,680)	-	(2,435,216)
Computer software and accessories	(1,597,141)	(17,635)	-	(1,614,776)
Office equipment	(235,980)	(30,705)	-	(266,685)
Furniture and fixtures	(596,343)	(31,326)	-	(627,669)
Total Accumulated Depreciation	<u>(4,622,000)</u>	<u>(322,346)</u>	<u>-</u>	<u>(4,944,346)</u>
Total Capital Assets, Depreciable (Net)	<u>10,043,438</u>	<u>-</u>	<u>-</u>	<u>9,846,041</u>
Capital Assets, Net	<u>\$ 12,082,439</u>	<u>\$ (197,397)</u>	<u>\$ -</u>	<u>\$ 11,885,041</u>

NOTE 4 – CHANGES IN COMPENSATED ABSENCES

Compensated absences liability activities for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Compensated absences	<u>\$ 568,434</u>	<u>\$ 575,883</u>	<u>\$ (566,408)</u>	<u>\$ 577,909</u>	<u>\$ 75,544</u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 5 – 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 at June 30, 2015 consists of the following:

INITIATIVE/PROGRAM ALLOCATION	NONSPENDABLE
Advances:	
LA Care Health Plan	\$ 8,930,459
LAUP	26,213,336
UCLA Dental Home Project	4,267,841
TOTAL	\$ 39,411,636
	COMMITTED
At-Risk Fathers Investment	\$ 598,500
Baby Friendly Hospitals/Family Place Libraries	24,688,576
Black Infant Health	7,078,043
Children's Dental Care	28,400,965
Children's Vision Care	2,915,722
Communications & Marketing	4,672,000
Communications - Conference Funding	200,000
Communities: Place-Based - Community Capacity Building	17,029,000
Data Development & Integration	2,527,000
Data Partnership with Funders	3,242,605
Early Identification & Intervention - Autism & Other Developmental Delays	1,529,514
ECE Environmental Scan	80,000
Families: Place-Based - Welcome Baby/Select Home Visiting	36,603,000
Healthy Food Access	3,365,802
Healthy Kids	2,087,201
Information Resource and Referral	1,360,000
LAUP	61,040,779
Little by Little/One Step Ahead	24,592,135
Parent-Child Interaction Therapy	14,375,845
Partnerships for Families	150,000
Peer Support Groups for Parents	1,311,148
Reducing Childhood Obesity	20,240,665

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 5 – FUND BALANCE (Continued)

Policy Advocacy Fund	2,194,000
Policy Agenda/Advocacy	\$ 2,797,000
Program Evaluation	4,131,000
Research and Evaluation - Early Learning (LAUP)	2,792,529
Resource Mobilization - ECE	1,225,000
Resource Mobilization - Funder Partnerships	60,000
Resource Mobilization - Health	1,540,000
Resource Mobilization - Organizational Capacity Building	550,000
Strategic Plan Implementation Fund: Families	636,000
Strategic Plan Implementation Fund: Communities	1,093,750
Strategic Plan Implementation Fund: Early Care & Education (ECE) Systems	370,000
Strategic Plan Implementation Fund: Health, Mental Health & Substance Abuse Systems	546,250
Strategic Plan Implementation Fund: Other/Cross-Cutting Activities	490,000
Substance Abuse Treatment Services	1,599
Tot Parks and Trails	831,010
Universal Assessment of Newborns	46,041,038
Workforce Development	2,522,000
Workforce Development - ECE Career Development Policy Project (LACOE)	30,917
Workforce Development - ECE Workforce Consortium	14,939,046
TOTAL	\$ 340,879,636
	ASSIGNED
Strategic Plan	78,113,279
TOTAL	\$ 78,113,279
	UNASSIGNED
Unassigned	\$ 78,223,453
TOTAL	\$ 78,223,453
Total Fund Balance	\$ 536,628,004

The minimum fund balance reserve is included as part of unassigned fund balance.

NOTE 6 – 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.

The Commission spent \$10,177,880 on program evaluation during the year ended June 30, 2015.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 7 – DEFERRED COMPENSATION PLANS

All regular and limited-term employees of the Commission participate in the 403(b) Savings and Investment Plan, a defined contribution plan administered by The Standard. Benefit provisions under the plan are established by the California Government Code Section 31694(a) and other applicable statutes. The 403(b) Savings and Investment Plan provides for service retirement, death, and disability benefits to plan members.

For the period of July through December 2014, employees hired before March 15, 2007, the Commission's contribution is equal to 100% of the employee's contribution, not to exceed 6% of the employee's annual compensation. For employees hired on or after March 15, 2007, the Commission's contribution is equal to 100% of the employee's contribution up to 1% of the employee's annual compensation after the employee's one year employment anniversary, increasing by 1% each year to 6% after the employee's sixth year employment anniversary.

Effective January 1, 2015, changes to the Commission's 403(b) Savings and Investment Plan were made such that all regular and limited-term employees are eligible to receive both an elective and a non-elective contribution based on years of completed service with the organization. The elective contribution requires employee participation in order to receive the employer match, and is between 1% and 3% depending on the employee's contribution and the years of service the employee has completed with the organization: 1% for less than one year, 2% after one year and 3% after two years or more of completed service. The Commission also makes a separate, non-elective contribution into the retirement plan regardless of employee participation. This non-elective employer contribution is between 3% and 7.5% based on years of completed service with the organization: 3% for less than 5 years, 4.5% for 5 to 9 years, 6% for 10 to 14 years, and 7.5% after 15 years or more of completed service. Employer contributions are not 100% vested until an employee has completed three years of service with the organization, with a graded vesting schedule for employees who complete at least one year of service. The Commission contributed a total of \$508,470 which comprised of \$314,755 in elective contribution and \$193,715 in non-elective contribution for the fiscal year ended June 30, 2015.

NOTE 8 – UNAVAILABLE REVENUE

The general fund reports unavailable revenue on the governmental fund balance sheet in connection with resources that have been earned, but are not yet available to finance expenditures of the current fiscal period. This type of deferred inflow of resources occurs only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the general fund balance sheet. At the end of the current fiscal year, the components of unavailable revenue resulting from State Commission Program Funds not received within the 60-day period of availability were as follows:

Unavailable Revenue:	
Child Signature Program	\$ 6,243,274
CARES Plus Program	331,533
Partnership for Families Program	913,320
Total Unavailable Revenue	<u><u>\$ 7,488,127</u></u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 9 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to general liability, property liability, health benefits, workers' compensation and auto. These risks are addressed through commercial insurance policies.

The Commission's property and liability insurance is provided by insurance companies that are "Non-Admitted" insurance companies in the State of California. If such a company becomes insolvent, the California Insurance Guarantee Association will not settle unpaid claims.

No claims or suits are pending against the Commission arising out of proposed claim settlements covered by insurance. No settlements exceeded insurance coverage during the last three years.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Lease

The Commission leases equipment from a third party which expires in July 2019 and is non-cancelable. The future minimum rental payments due under the lease are as follows:

For Year Ending June 30,	Annual
2016	\$ 61,957
2017	58,338
2018	18,522
2019	18,522
2020	1,544
Total	<u>\$ 158,882</u>

The Commission recognized \$61,957 in lease expense for the year ended June 30, 2015.

Future Funding

The Commission has entered into future funding commitments with various entities, which are contingent on State funding.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Commission incurred expenses totaling \$52,574 for County of Los Angeles services provided during the year ended June 30, 2015.

The Commission paid \$148,211,092 of provider grants, operating services, consultant services, and professional services to organizations which are represented by 18 members of the Board of Commissioners.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 12 – FIRST 5 CALIFORNIA CARES PLUS PROGRAM

CARES Plus is designed to improve the quality of early learning programs by focusing on increasing the quality, effectiveness, and retention of early educators. As a statewide professional development program, its main objectives are to improve both the quality of early learning programs, and ultimately, learning and developmental outcomes for young children. The Commission claimed \$399,855 in CARES Plus Phase II reimbursable expenses for the period ended June 30, 2015. Phase II funds have a four-to-one Commission match to each dollar of First 5 funding.

NOTE 13 – CHILD SIGNATURE PROGRAM

The Child Signature Program is designed to prepare at-risk children for kindergarten by increasing opportunities for children to advance into elementary school with a focus on language, literacy, early math skills, and social and emotional development. As a statewide program, the Child Signature Program works to invest in high quality preschool programs that enhance the quality of care and education that children receive. The Commission claimed \$9,855,687 in Child Signature Program reimbursable expenses for the period ended June 30, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tobacco taxes	\$ 87,816,752	\$ 87,816,752	\$ 89,475,135	\$ 1,658,383
State Commission Program Funds	-	-	11,050,327	11,050,327
Medi-Cal Administrative Activities	-	-	80,799	80,799
Partnership for Families Funds	-	-	3,701,993	3,701,993
Investment income	6,395,464	6,395,464	3,903,275	(2,492,189)
Net increase (decrease) in FMV of investments	-	-	2,152,879	2,152,879
Other revenues	99,000	99,000	104,072	5,072
Total revenues	<u>94,311,216</u>	<u>94,311,216</u>	<u>110,468,480</u>	<u>16,157,264</u>
Expenditures				
Program Costs				
Provider grants and other allocations	221,203,000	206,113,000	168,766,806	37,346,194
Pass-through grants	-	-	14,225,131	(14,225,131)
Total Program Costs	<u>221,203,000</u>	<u>206,113,000</u>	<u>182,991,937</u>	<u>23,121,063</u>
Operations & Administration				
Personnel related expenditures				
Salaries and wages	11,741,943	11,347,496	10,520,471	827,025
Fringe Benefits	3,496,729	3,409,644	2,893,886	515,758
Total Personnel Related Expenditures	<u>15,238,672</u>	<u>14,757,140</u>	<u>13,414,357</u>	<u>1,342,783</u>
General Operating Expenditures				
ADP Payroll Charges	31,000	30,000	35,374	(5,374)
Workers' Compensation Insurance	125,000	123,500	167,020	(43,520)
Utilities	160,000	160,000	124,817	35,183
Corporate Insurance	75,000	73,500	104,312	(30,812)
Mileage and Parking	74,250	63,150	47,303	15,847
Telephones and Modems	77,700	75,650	103,293	(27,643)
Cell Phones and Mobile Devices	74,150	70,620	42,429	28,191
Outside Printing	24,500	24,500	21,226	3,274
Other Supplies	12,150	12,150	8,415	3,735
Postage and Delivery	12,850	13,300	12,965	335
Educational Supplies	5,600	5,600	6,666	(1,066)
Office Supplies	73,700	67,980	59,286	8,694
Subscriptions and Publications	9,850	6,850	5,803	1,047
Equipment Rental	120,000	120,000	110,603	9,397
Building Repairs and Maintenance	195,000	195,000	133,559	61,441
Equipment Repairs and Maintenance	60,500	59,200	3,119	56,081
Offsite Storage	20,500	20,600	15,390	5,210
Hardware and Software Maintenance	166,500	166,500	243,832	(77,332)
Miscellaneous Service Charges	56,000	57,000	5,585	51,415
Miscellaneous/Contingency	135,000	50,000	55,823	(5,823)
Capital Outlay	160,000	160,000	4,501	155,499
Human Resources Related Costs	40,000	40,000	35,211	4,789
Total General Operating Expenditures	<u>1,709,250</u>	<u>1,595,100</u>	<u>1,346,532</u>	<u>248,568</u>
Professional Services				
Audit	72,556	70,056	65,506	4,550
Legal	175,000	175,000	162,389	12,611
Professional Dues	81,040	78,140	47,340	30,800
Professional Dues - First 5 Association	50,000	50,000	50,000	-
Professional Development	248,750	246,550	36,634	209,916
Staff Recruitment	24,500	24,500	14,014	10,486
Commission Stipends	31,000	34,000	28,677	5,323
Total Professional Services	<u>682,846</u>	<u>678,246</u>	<u>404,560</u>	<u>273,686</u>
Consultant Services				
Consultant Fees	1,155,400	1,622,400	1,008,525	613,875
Other Professional Fees	239,500	239,500	206,644	32,856
External Reviewers	-	4,000	1,440	2,560
Total Consultant Services	<u>1,394,900</u>	<u>1,865,900</u>	<u>1,216,609</u>	<u>649,291</u>
Travel and Meetings				
Airfare	79,042	79,292	52,221	27,071
Program Events	15,000	15,000	2,084	12,916
Lodging	68,896	83,222	56,774	26,448
Conference Registration	73,885	82,495	58,436	24,059
Local Meetings	55,700	159,700	69,118	90,582
Per Diem	36,988	39,084	26,259	12,825
Total Travel and Meetings	<u>329,511</u>	<u>458,793</u>	<u>264,892</u>	<u>193,901</u>
Capital Improvements	-	-	124,949	(124,949)
Total Operating Expenditures	<u>19,355,179</u>	<u>19,355,179</u>	<u>16,771,899</u>	<u>2,583,280</u>
Total Program Costs and Operating Expenditures	<u>240,558,179</u>	<u>225,468,179</u>	<u>199,763,836</u>	<u>25,704,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (146,246,963)</u>	<u>\$ (131,156,963)</u>	<u>\$ (89,295,356)</u>	<u>\$ 41,861,607</u>
Fund balance - Beginning of year			625,923,360	
Fund balance - End of year			<u>\$ 536,628,004</u>	

See accompanying note to required supplementary information.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTE FOR THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

NOTE 1 – BUDGET ADOPTION

The Commission adopts a budget annually in accordance with generally accepted accounting principles based on estimates of revenue and anticipated expenditures. The Board of Commissioners has given the Executive Director authority to make budget adjustments between line items in the Commission’s annual budget for Operating and Administrative costs in an amount not to exceed \$25,000. Any budget adjustment between line items in excess of \$25,000 requires approval of the Board of Commissioners.

The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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. The total budget for FY 2014-15 was \$225.5 million, which included \$206.1 million for Program costs and \$19.4 million for Operating and Administrative costs.

In previous years, the Commission included expenditures related to “pass-through grants” within the line item “Provider grants and other allocations”. For FY 2014-15, in order to promote greater transparency and to more accurately reflect true “Provider grants and other allocations” expenditures against the approved fiscal year budget, the Commission separated these amounts within the Schedule of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual – General Fund. In FY 2014-15, \$14.2 million was recorded as “pass through grants”, which includes \$9.8 million for the First 5 California Child Signature Program (CSP), \$4.4 million for the Los Angeles County Department of Children and Family Services Partnership for Families (LAC-PFF) program, and \$33,456 for Medi-Cal Administrative Activities.

OTHER SUPPLEMENTARY INFORMATION

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
SCHEDULE OF CARES PLUS FUNDING
FOR THE YEAR ENDED JUNE 30, 2015**

Draft Copy 09/11/15.1

<u>Program</u>	<u>Source</u>	<u>Revenue Funds</u>	<u>Expenditures</u>
CARES Plus	First 5 LA Program Funds	\$ 399,855	\$ 399,855
	County, Local Funds	1,599,420	1,599,420

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
STATISTICAL SECTION
(UNAUDITED)**

Draft Copy 09/21/2011

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 information to understand and assess the Commission's economic condition.

	<u>Pages</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	33-36
<u>Revenue Capacity</u>	
These schedules contain trend information to help the reader assess the Commission's most significant revenue base.	37-39
<u>Demographic Information</u>	
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.	40-41
<u>Operating Information</u>	
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.	42-44

Sources:

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

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

Draft Copy 09/11/15

	Fiscal Year									
	2015	2014	2013	2012	2011	2010*	2009	2008	2007	2006
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,019,859	\$ 885,944,312	\$ 846,935,336	\$ 801,801,230
Unrestricted	543,521,742	632,680,166	723,252,516	829,030,048	434,206,491	859,235,104	-	-	-	-
Net investment in capital assets	11,885,041	12,082,438	12,355,226	12,777,760	13,114,194	13,405,843	13,873,311	13,847,697	13,551,567	13,794,060
Total net position	<u>\$ 555,406,783</u>	<u>\$ 644,762,604</u>	<u>\$ 735,607,742</u>	<u>\$ 841,807,808</u>	<u>\$ 447,320,685</u>	<u>\$ 872,640,947</u>	<u>\$ 894,893,170</u>	<u>\$ 899,792,009</u>	<u>\$ 860,486,903</u>	<u>\$ 815,395,890</u>

* The Commission presented net position as unrestricted beginning with 2010.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Draft Copy 09/11/15

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Tobacco taxes	\$ 89,475,135	\$ 90,280,307	\$ 94,112,590	\$ 100,187,619	\$ 100,269,182	\$ 102,504,928	\$ 114,925,729	\$ 122,655,958	\$ 125,602,050	\$ 132,633,446
State School Readiness	-	-	-	-	28,465,232	19,011,847	15,445,577	15,098,348	11,563,470	15,343,912
State Commission Program Funds	10,283,414	18,009,907	2,749,082	8,098,412	7,933,188	7,162,800	6,438,881	5,673,958	2,300,312	1,490,053
Medi-Cal Administrative Activities	80,799	232,408	316,369	483,325	507,869	740,794	925,511	-	-	-
Partnership for Families Fund*	4,615,313	-	-	-	-	-	-	-	-	-
Investment income	3,903,275	6,368,593	(3,402,141)	915,935	12,004,422	16,094,660	28,102,852	34,996,079	42,823,178	30,799,531
Net increase (decrease) in FMV of investments	2,152,879	-	-	-	-	-	-	-	-	-
Other revenues	104,072	100,320	98,880	9,048	290,093	465,061	453,762	467,302	290,768	314,658
Total revenues:	\$ 110,614,887	\$ 114,991,535	\$ 93,874,779	\$ 109,694,339	\$ 149,469,986	\$ 145,980,090	\$ 166,292,312	\$ 178,891,645	\$ 182,579,778	\$ 180,581,100
Expenses										
Provider grants and other allocations	\$ 182,991,937	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026	\$ 133,261,213	\$ 157,019,407	\$ 160,239,867	\$ 130,894,482	\$ 129,614,460	\$ 119,067,100
AB 99	N/A	N/A	N/A	(424,388,705)	424,388,705	N/A	N/A	N/A	N/A	N/A
First 5 California (SRI)	N/A	N/A	N/A	1,137,220	2,506,120	N/A	N/A	N/A	N/A	N/A
Salaries and benefits	13,423,832	12,682,373	11,583,915	11,153,057	10,685,423	8,818,136	8,161,291	6,638,952	5,841,908	5,822,732
Operating services	1,346,532	1,207,259	1,159,609	1,138,850	1,324,708	832,164	1,090,947	693,968	855,192	860,634
Consultant services	1,216,609	956,488	549,676	331,046	1,523,221	677,379	653,301	415,736	415,822	531,042
Professional services	404,560	543,038	426,726	540,606	398,819	208,008	400,036	276,610	204,353	232,044
Other expenses	264,892	183,974	149,116	114,384	116,223	80,355	69,045	90,880	85,332	191
Depreciation	322,346	353,258	452,182	471,732	585,814	596,868	576,664	575,911	471,698	465,298
Total expenses:	\$ 199,970,708	\$ 205,836,673	\$ 200,074,846	\$ (284,792,784)	\$ 574,790,246	\$ 168,232,317	\$ 171,191,151	\$ 139,586,539	\$ 137,488,765	\$ 126,979,041
Change in net position	\$ (89,355,821)	\$ (90,845,138)	\$ (106,200,066)	\$ 394,487,123	\$ (425,320,260)	\$ (22,252,227)	\$ (4,898,839)	\$ 39,305,106	\$ 45,091,013	\$ 53,602,059

* Beginning January 2015, the Partnership for Families initiative is being funded by the LA County Department of Children and Family Services (DCFS), with First 5 LA acting as a pass-through entity and receiving reimbursement from DCFS.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FUND BALANCES – GENERAL FUND
LAST TEN FISCAL YEARS***

Draft Copy 09/17/15.1

	Fiscal Year									
	2015*	2014*	2013*	2012*	2011*	2010	2009	2008	2007	2006
Fund Balance										
Nonspendable	\$ 39,411,636	\$ 37,578,099	\$ 27,022,268	\$ 19,960,620	\$ -					
Committed	340,879,636	451,133,640	561,003,855	631,710,435	632,471,832					
Assigned	78,113,279	57,716,899	64,902,466	153,086,390	-					
Unassigned	78,223,453	79,494,722	70,816,380	16,691,138	(205,716,806)					
Total Fund Balance	<u>\$ 536,628,004</u>	<u>\$ 625,923,360</u>	<u>\$ 723,744,969</u>	<u>\$ 821,448,583</u>	<u>\$ 426,755,026</u>					
Reserved										
Reserved for encumbrances						\$ 129,094,692	\$ 341,203,752	\$ 504,505,166	\$ 639,223,219	\$ 679,128,690
Reserved for obligations						189,699,943	45,820,595	52,670,634	13,125,130	39,107,652
Reserved for First 5 California						19,004,928	30,050,843	52,161,039	31,794,550	60,712,820
Total Reserved						<u>\$ 337,799,563</u>	<u>\$ 417,075,190</u>	<u>\$ 609,336,839</u>	<u>\$ 684,142,899</u>	<u>\$ 778,949,162</u>
Unreserved										
Designated						\$ 249,875,172	\$ 284,028,356	\$ 272,696,682	\$ 162,356,525	\$ 1,298,235
Unreserved						271,842,909	174,167,089	-	-	18,384,748
Total Fund Balance						<u>\$ 859,517,644</u>	<u>\$ 875,270,635</u>	<u>\$ 882,033,521</u>	<u>\$ 846,499,424</u>	<u>\$ 798,632,145</u>

* Fund balance presentation changed in fiscal year 2010-2011 due to the implementation of GASB 54.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CHANGES IN FUND BALANCES – GENERAL FUND
LAST TEN FISCAL YEARS**

Draft Copy 09/17/15

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Tobacco taxes	\$ 89,475,135	\$ 90,280,307	\$ 94,112,590	\$ 100,187,619	\$ 100,269,182	\$ 102,504,928	\$ 114,925,729	\$ 122,655,958	\$ 127,012,312	\$ 131,223,184
State School Readiness	-	-	-	-	39,242,565	19,011,847	15,445,577	15,098,348	13,534,763	17,640,707
State Commission Program Funds	11,050,327	10,668,187	10,741,413	7,960,036	95,713	2,441,868	4,633,722	2,198,287	1,480,228	2,217,327
Medi-Cal Administrative Activities	80,799	232,408	316,369	483,325	507,869	740,794	925,511	-	-	-
Partnership for Families Funds*	3,701,993	-	-	-	-	-	-	-	-	-
Investment income	3,903,275	6,368,593	(3,402,141)	915,935	12,004,422	16,094,660	28,102,852	34,996,079	42,823,178	30,799,531
Net increase (decrease) in FMV of investments	2,152,879	-	-	-	-	-	-	-	-	-
Other income	104,072	100,320	98,880	9,048	290,093	427,960	415,048	428,588	252,054	506,613
Total revenues:	\$ 110,468,480	\$ 107,649,815	\$ 101,867,110	\$ 109,555,963	\$ 152,409,844	\$ 141,222,057	\$ 164,448,439	\$ 175,377,260	\$ 185,102,535	\$ 182,387,362
Expenditures:										
Provider grants and other allocations	\$ 182,991,937	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026	\$ 133,261,213	\$ 157,019,407	\$ 160,239,867	\$ 130,894,482	\$ 129,614,460	\$ 119,067,100
AB 99	-	-	-	(424,388,705)	424,388,705	N/A	N/A	N/A	N/A	N/A
First 5 California (SRI)	-	-	-	1,137,220	2,506,120	N/A	N/A	N/A	N/A	N/A
Salaries and benefits	13,414,357	12,589,911	11,502,328	11,144,681	10,619,053	8,774,370	8,155,851	6,599,446	5,831,492	5,802,008
Operating services	1,346,532	1,207,258	1,159,609	1,138,850	1,324,708	832,164	1,090,947	693,968	855,192	860,634
Consultant services	1,216,609	956,488	549,676	331,046	1,523,221	677,379	653,301	415,736	415,822	531,042
Professional services	404,560	543,038	426,726	540,606	398,819	208,008	400,036	276,610	204,353	232,044
Other expenses	264,892	183,974	149,116	114,384	116,223	80,355	69,045	90,880	85,332	191
Capital outlay	124,949	80,471	29,648	135,298	294,166	123,599	602,278	872,041	228,605	892,796
Total expenditures:	\$ 199,763,836	\$ 205,471,423	\$ 199,570,724	\$ (285,137,594)	\$ 574,432,228	\$ 167,715,282	\$ 171,211,325	\$ 139,843,163	\$ 137,235,256	\$ 127,385,815
Excess (deficiency) of revenues over expenditures	\$ (89,295,356)	\$ (97,821,608)	\$ (97,703,614)	\$ 394,693,557	\$ (422,022,384)	\$ (26,493,225)	\$ (6,762,886)	\$ 35,534,097	\$ 47,867,279	\$ 55,001,547

* Beginning January 2015, the Partnership for Families initiative is being funded by the LA County Department of Children and Family Services (DCFS), with First 5 LA acting as a pass-through entity and receiving reimbursement from DCFS.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FIRST 5 CALIFORNIA COUNTY TAX REVENUE PROJECTIONS FOR
FY 2014/2015 - FY 2018/2019**

Draft Copy 09/14/15

2012 Actual Births	2012 Actual Birthrate	2014-2015 Tax Revenue Projection	2013 Projected Births	2013 Projected Birthrate	2015-2016 Tax Revenue Projection	2014 Projected Births	2014 Projected Birthrate	2016-2017 Tax Revenue Projection	2015 Projected Births	2015 Projected Birthrate	2017-2018 Tax Revenue Projection	2016 Projected Births	2016 Projected Birthrate	2018-2019 Tax Revenue Projection
131,697	26.141%	\$ 84,682,508	127,194	25.727%	\$ 80,883,996	128,067	25.575%	\$ 77,358,240	128,210	25.423%	\$ 73,974,768	128,355	25.271%	\$ 70,727,987

Source:

"First 5 California County Tax Revenue Projections for FY 2014-15 through 2018-19"

(Updated 6/2/15 Utilizing DOF May Revise 2015 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1970-2023)

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FIRST 5 CALIFORNIA COUNTY TAX REVENUE PROJECTIONS FOR
FY 2014/2015 - FY 2018/2019**

Draft Copy 09/11/15.1

2012 Actual Births	131,697
2012 Actual Birthrate	26.141%
FY 2014-15 Tax Revenue Projection	\$ 84,682,508
2013 Projected Births	127,194
2013 Projected Birthrate	25.727%
FY 2015-16 Tax Revenue Projection	\$ 80,883,996
2014 Projected Births	128,067
2014 Projected Birthrate	25.575%
FY 2016-17 Tax Revenue Projection	\$ 77,358,240
2015 Projected Births	128,210
2015 Projected Birthrate	25.423%
FY 2017-18 Tax Revenue Projection	\$ 73,974,768
2016 Projected Births	\$ 128,355
2016 Projected Birthrate	25.271%
FY 2018-19 Tax Revenue Projection	\$ 70,727,987

Source:

"First 5 California County Tax Revenue Projections for FY 2014-15 through 2018-19"

(Updated 6/2/15 Utilizing DOF May Revise 2015 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1970-2023)

**LOS ANGELES COUNTY CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE, 1959-60 TO 2012-13
(In thousands of dollars)**

Draft Copy 09/11/15.1

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

Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).

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.

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

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.

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.

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.

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.

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.

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.

Refunds made for distributors' discounts in the 1960-61 fiscal year on purchases made in the 1959-60 fiscal year have been deducted. These refunds amounted to \$324,000.

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

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 \$2,673,700, nor on the \$2,673,048 tax on floor stocks.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
DEMOGRAPHIC DATA AND ECONOMIC STATISTICS
2005-2014**

Draft Copy 09/11/15.1

Demographic Data

	2005**	2006**	2007**	2008**	2009***	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)
Total Population	10,185,761	10,216,702	10,252,245	10,341,412	10,449,155	9,824,194	9,862,211	9,945,864	10,010,961	10,082,664
White	2,952,183	2,903,508	2,856,544	2,822,775	2,938,369	2,743,456	2,719,057	2,721,500	2,709,464	2,693,506
Black	890,227	876,209	862,622	853,032	882,167	826,260	828,970	830,607	831,808	833,267
American Indian	26,072	25,584	25,056	24,588	30,808	19,509	19,619	19,652	19,629	19,658
Asian	1,334,812	1,360,995	1,387,824	1,423,826	1,378,338	1,327,692	1,332,691	1,342,581	1,357,306	1,373,175
Native Hawaiian & Other Pacific Islander	27,266	27,544	27,773	28,137	29,001	23,191	23,103	23,277	23,433	23,579
Hispanic or Latino	4,751,677	4,807,354	4,864,925	4,944,987	5,008,069	4,702,784	4,753,038	4,818,170	4,874,755	4,940,756
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multi-race	203,524	215,509	227,501	244,067	182,403	181,302	185,733	190,077	194,566	198,723
Female	5,097,968	5,123,747	5,151,888	5,195,931	5,266,592	4,980,734	4,998,722	5,039,635	5,071,249	5,105,963
Male	5,087,793	5,092,955	5,100,357	5,145,481	5,182,563	4,843,460	4,863,489	4,906,229	4,939,712	4,976,701
Under 5 years	765,652	742,159	728,334	731,216	716,228	644,882	645,529	645,026	644,356	658,930
5-9 years	796,592	760,560	732,624	735,376	744,818	631,973	625,415	632,530	637,383	638,471
10-14 years	935,203	902,600	852,918	802,998	769,538	674,968	658,984	648,192	638,396	631,525
15-19 years	749,867	820,767	885,245	926,946	870,100	749,322	732,741	716,854	700,066	683,907
20-24 years	604,700	647,886	690,477	712,834	725,816	751,717	755,888	758,178	759,628	757,233
25-29 years	546,918	580,169	621,590	647,647	677,682	758,633	762,396	756,706	754,773	755,997
30-39 years	1,488,217	1,417,302	1,352,485	1,307,857	1,420,833	1,429,814	1,429,718	1,441,415	1,454,389	1,466,136
40-49 years	1,619,676	1,604,965	1,582,764	1,578,500	1,592,529	1,421,700	1,418,870	1,423,408	1,416,725	1,408,130
50-59 years	1,199,203	1,234,103	1,259,906	1,295,706	1,315,677	1,229,799	1,253,379	1,281,390	1,303,781	1,321,414
60-69 years	700,827	722,021	754,663	794,316	827,207	784,117	817,011	856,522	891,983	930,186
70-79 years	461,665	459,992	459,524	465,714	466,110	439,892	447,281	462,564	479,911	497,179
80+ years	317,241	324,179	331,715	342,302	322,617	307,377	314,999	323,079	329,570	333,556

Source:

* US Census Bureau, 2000 Census, SF1

** State of California, Department of Finance, E-3 Race / Ethnic Population Estimates with Age and Sex Detail, 2000–2008. Sacramento, CA, June 2010.

*** State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, July 2007. (data are projections calculated between census surveys)

(1) State of California, Department of Finance, Population Projections for California and Its Counties 2010-2060. Sacramento, CA, January 2013. (These data supersede the previously used data source.)

Economic Data

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
LA County Personal Income	357,594,039	384,722,373	398,281,877	410,482,294	395,372,354	404,473,004	425,673,042	455,788,782	466,098,988	N/A
LA County Per Capita Personal Income	36,540	39,508	41,058	42,165	40,396	41,163	43,062	45,800	46,506	N/A
California Personal Income	1,395,992,214	1,499,308,841	1,564,289,335	1,596,229,973	1,537,094,676	1,578,553,439	1,685,635,498	1,805,193,769	1,856,614,186	1,944,369,223
California Per Capita Personal Income	38,964	41,623	43,152	43,608	41,587	42,282	44,749	47,505	48,434	50,109
United States Personal Income	10,605,595,000	11,376,405,000	11,990,104,000	12,429,234,000	12,080,223,000	12,417,659,000	13,189,935,000	13,873,161,000	14,151,427,000	14,708,582,165
United States Per Capita Personal Income	35,888	38,127	39,804	40,873	39,379	40,144	42,332	44,200	44,765	46,129

Source:

Bureau of Economic Analysis: <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdh=4> (Tables SA1-3 and CA1-3)

Personal income data are shown in thousands of dollars; per capita income data are shown in dollars.

2014 economic data is not yet available for Los Angeles County

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
UNEMPLOYMENT RATE
2005 – 2014**

Draft Copy 09/11/15.1

Area	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
United States	6.2%	7.4%	8.1%	8.9%	9.6%	9.3%	5.8%	4.6%	4.6%	5.1%
California	7.5%	8.9%	10.4%	11.8%	12.4%	11.3%	7.2%	5.4%	4.9%	5.4%
Los Angeles County	8.3%	9.9%	10.9%	12.3%	12.6%	11.6%	7.5%	5.1%	4.8%	5.4%

Source:
Bureau of Labor Statistics (<http://www.bls.gov/>; annual averages)

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
TEN LARGEST INDUSTRIES (1)
2014 AND 2005**

Draft Copy 09/11/15.1

Industry	June 30, 2014			June 30, 2005		
	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Trade, Transportation & Utilities	789,200	1	17.29%	786,100	1	17.53%
Educational & Health Services	734,000	2	16.08%	562,500	4	12.55%
Professional & Business Services	613,400	3	13.44%	573,800	3	12.80%
Government	559,800	4	12.26%	591,800	2	13.20%
Leisure & Hospitality	454,100	5	9.95%	382,900	6	8.54%
Manufacturing	353,300	6	7.74%	475,300	5	10.60%
Financial Activities	213,100	7	4.67%	241,900	7	5.40%
Information	205,600	8	4.50%	203,900	8	4.55%
Other Services	149,300	9	3.27%	146,400	10	3.27%
Construction	126,600	10	2.77%	149,700	9	3.34%
Sub-total Ten Largest Industries	4,198,400		91.97%	4,114,300		91.77%
All Other Industries	366,600		8.03%	369,200		8.23%
Total Industries	4,565,000		100.00%	4,483,500		100.00%

Note:

(1) Employment by industry is presented because employment data for individual employers was unavailable.

Source:

County of Los Angeles Comprehensive Annual Financial Report for the year ended June 30, 2014:

<http://ceo.lacounty.gov/pdf/portal/CAFR%202014%20.pdf>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CAPITAL ASSETS STATISTICS**

Capital Assets (Land, Building, Furniture & Equipment) are used by the Commission for general operating and administrative function. The Commission has only one (1) centrally located building supported by other capital assets.

Draft Copy 06/11/15.1

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
AUTHORIZED POSITIONS BY FUNCTION**

Draft Copy 09/11/15.1

Functional Area	2015 (4)	2014 (3)	Fiscal Year 2013 (2)	2012 (1)	2011 (1)
Executive	4.5	5.5	3	2	2
Administration	34.5	34	35	33	29
Programs	101.5	91.5	92	91	96
Total	140.5	131	130	126	127

Note:

(1) Data are budgeted authorized positions approved as part of the fiscal year budget. Prior to FY 2010-11, positions were reported by department only, and not according to functional area.

Source:

- (1) First 5 LA Approved FY 2011-12 Operating Budget (FY 2010-11 data were included for comparison purposes)
- (2) First 5 LA Approved FY 2012-13 Operating Budget
- (3) First 5 LA Approved FY 2013-14 Operating Budget
- (4) First 5 LA Approved FY 2014-15 Operating Budget

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

Board of Commissioners
Los Angeles County Children and Families
First – Proposition 10 Commission
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated _____, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Rancho Cucamonga, California
_____, 2015

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Commissioners
Los Angeles County Children and Families
First – Proposition 10 Commission
Los Angeles, California

Compliance

We have audited the Los Angeles County Children and Families First – Proposition 10 Commission's (Commission), a component unit of the County of Los Angeles, California, compliance with the requirements specified in the *State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2015.

Management's Responsibility

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

Auditors' Responsibility

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

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

<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, 2015.

Purpose of Report

This report is intended solely for the information of the County Board of Supervisors, the County Commission, the State Commission, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Rancho Cucamonga, California
 _____, 2015

Draft Copy 09/11/15.1

Los Angeles County Children and Families First – Proposition 10 Commission Comprehensive Annual Financial Report For the Year Ended June 30, 2015

Budget & Finance Committee

September 16, 2015



First5LA.org

Presentation Overview

- Independent Auditor's Report
- Achievements
- Changes to the presentation of the Financial Statements
- FY 2014-15 Highlights
- 3 Year comparisons
- Next Steps

77

Independent Auditor's Report

- The CPA firm of Vavrinek, Trine, Day & Co. noted that the financial statements are presented fairly, which represents a clean audit
 - No adjusting entries required
 - No findings or observation

78

Achievements

- August 2015 – First 5 LA earns Certificate of Achievement for Excellence in Financial Reporting for FY 2013-14 from Government Finance Officers Association
- Seventh consecutive year for the Commission's Comprehensive Annual Financial Report

79

Changes to Presentation of Financial Report

- Pass-through expenditures (e.g. Cares Plus, Child Signature Program and PFF- Jan-June 2015) presented separately from Provider Grants and Allocations
- Fair Market Value adjustment presented separately from investment income
- Presentation of Assigned fund balance

80

FY 2014-15 Highlights

- June 2014: Commission approves FY 2014-15 total budget \$240.56 million:
 - Program Budget = \$221.20 million
 - Operating Budget = \$19.36 million
- The Board approved a revised budget in March 2015 of \$225.47 million:
 - Program Budget = \$206.11 million
 - Operating Budget = \$19.36 million

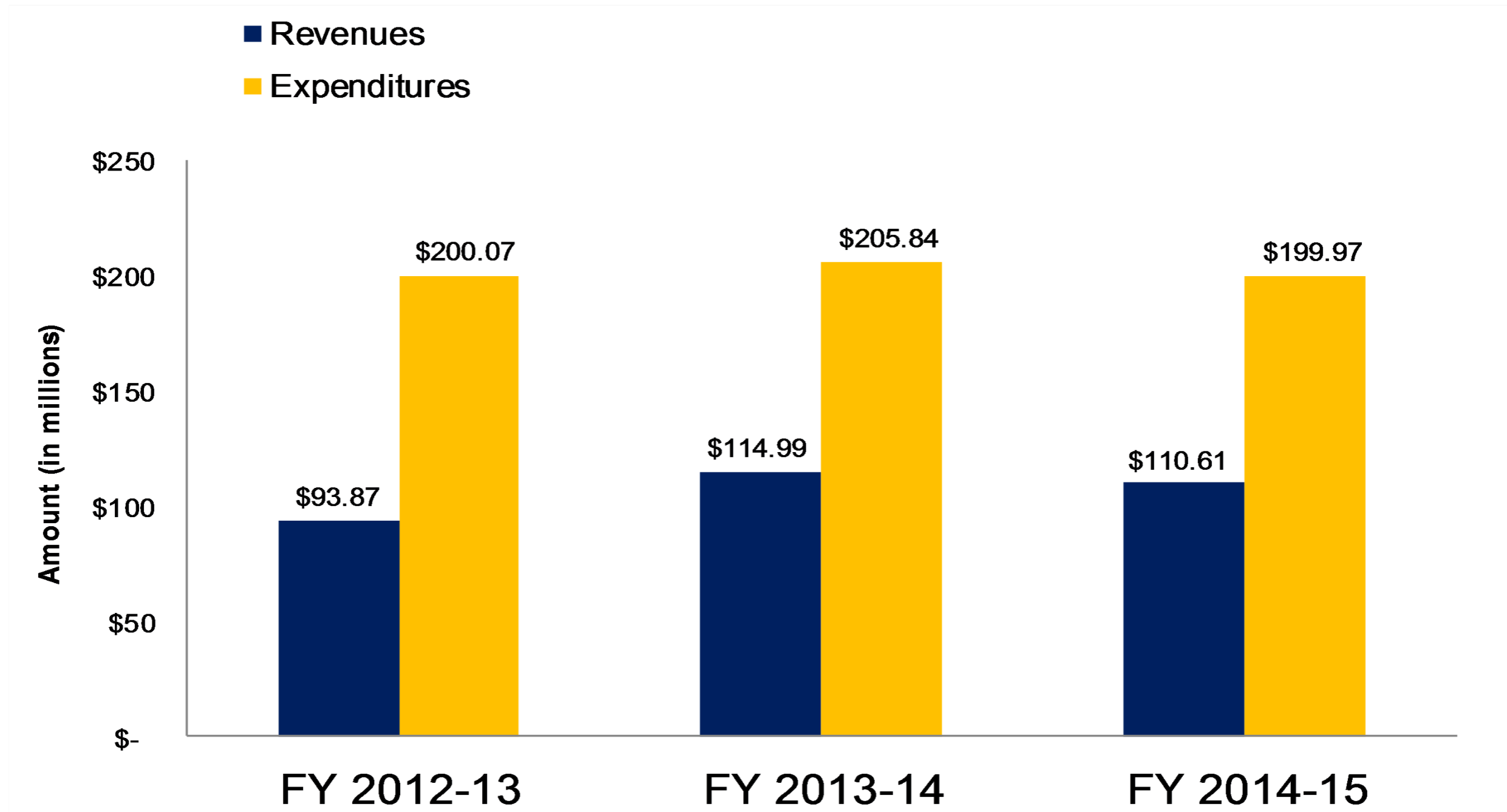
81

FY 2014-15 Highlights Cont'd

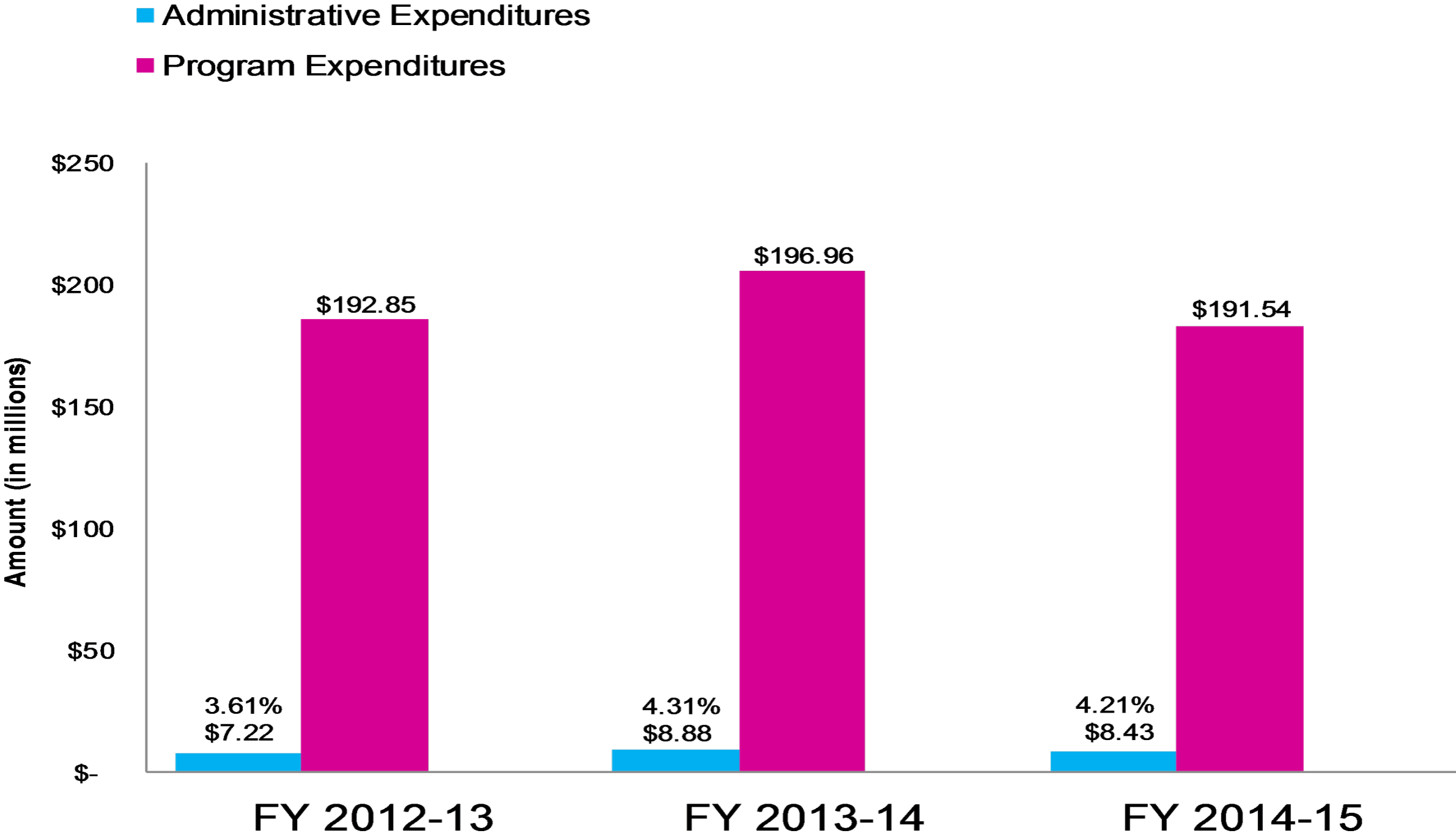
- Total revenue of \$110.61 million, of which \$89.48 million is for tobacco tax
- Total expenditures of \$199.97 million:
 - Program expenditures = \$182.99 million
 - Operating expenditures = \$16.98 million
- Fund Balance as of June 30, 2015 = \$536.63 million
 - Decrease of \$89.30 million from prior year

82

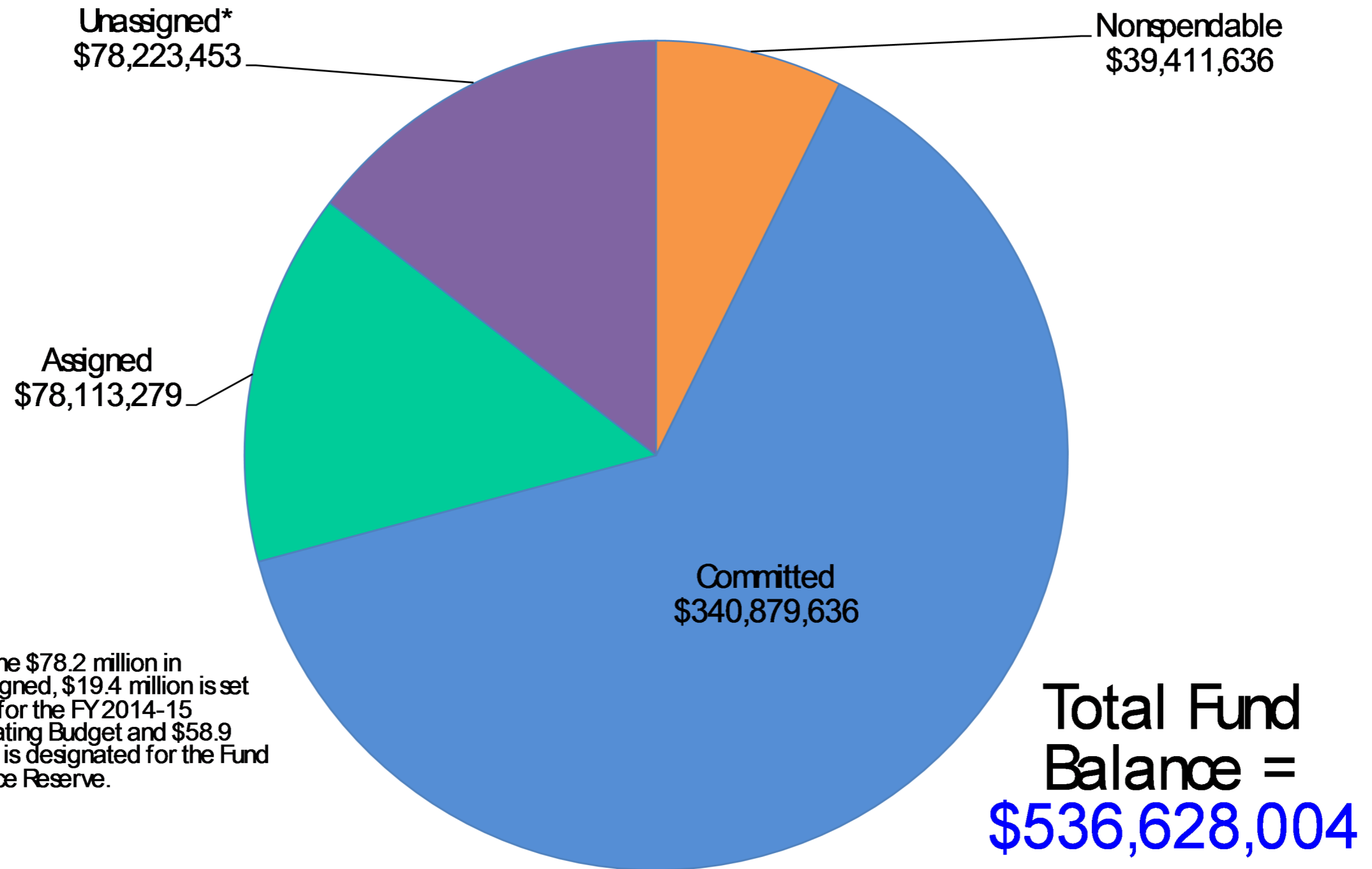
3 Year Comparison: Revenues vs. Expenditures



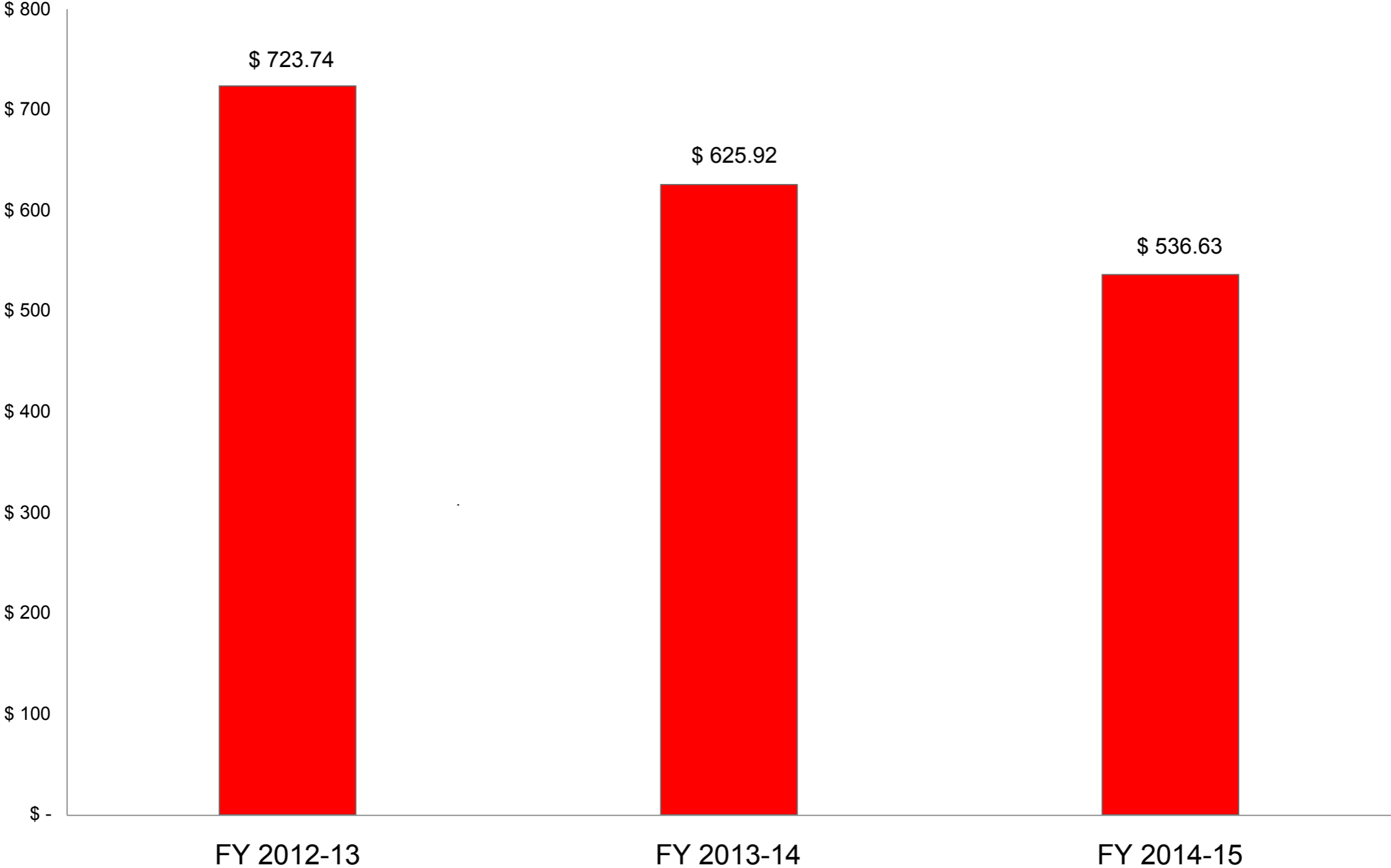
3 Year Comparison: Program and Administrative Expenditures



Fund Balance as of June 30, 2015



3-Year Comparison: Fund Balance



Next Steps

- Presentation of the CAFR:
 - Executive Committee
 - Program and Planning Committee
 - Board of Commissioners October meeting
- Update LTFP
- Continue to monitor FY 2015-16 budget and revise as needed during mid-year



Questions?