

AGENDA

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

Budget & Finance Committee Chair: Robert Byrd

**Wednesday, September 28, 2016
11:00 AM**

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



ASPOSE

Your File Format APIs

1. **ACTION**
Call to Order
- **Nancy Au, Chair**
2. **INFORMATION** **3**
Review Special Meeting of the Budget and Finance Committee
Notes – May 24, 2016
- **Nancy Au, Chair**
3. **INFORMATION** **10**
Program Expenditures Review - Parent Child Interaction Therapy
(PCIT)
- **Bill Gould, Program Officer II**
4. **INFORMATION** **41**
Monthly Financial Statements
- **Raoul Ortega, Finance Director**
5. **INFORMATION** **47**
Review Draft of the Comprehensive Annual Financial Report
(CAFR),
Including the Independent Auditor’s Report for the Fiscal Year
Ending
June 30, 2016
- **Raoul Ortega, Finance Director**

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 Pleitez Howell

EXECUTIVE VICE PRESIDENT

John A. Wagner

A PUBLIC ENTITY

- Tino Genio, Staff Accountant

- Kinnaly Soukhaseum , Audit Manager, Vavrinek, Trine, Day &

Co., LLP

6. **INFORMATION**

Public Comment

7. **ACTION**

Adjournment



SUMMARY MEETING NOTES

**FIRST 5 LA
SUMMARY MEETING NOTES
Special Meeting of the Budget & Finance Committee
May 24, 2016
1:00 pm –2:30 pm**

COMMITTEE MEMBERS PRESENT:

Jane Boeckmann
Joseph Ybarra (Chair)
Marlene Zepeda

COMMITTEE MEMBERS ABSENT:

Nancy Au [Vice Chair] (Excused)

STAFF PRESENT:

Christina Altmayer, VP of Programs
Kim Belshé, Executive Director
Carl Gayden, Senior Director of Administration
Faustino Genio, Staff Accountant
Daisy Lopez, Budget Manager
Alison Mendes, Finance Manager
Teresa Nuno, Chief Program Officer
Linda Vo, Board Secretary
John Wagner, Chief Operating Officer

1. Call to Order/Roll Call

The meeting was called to order by Committee Chair Ybarra at 1:03 pm. Roll call completed.

2. Review of Meeting Notes – Special Meeting of the Budget and Finance Committee, December 10, 2015 and April 28, 2016

Both meeting notes were received and filed with no deletions and/or additions.

3. Monthly Financial Statements

Ms. Mendes goes over the current monthly financial statements for the month ending March 31, 2016. She noted that these were already presented to and approved by the Commission earlier in the month of May. She then highlighted some of the transactions for the month of March. First 5 LA started the month with a cash balance of approximately \$516 M and had \$8.3 M in tobacco tax revenue. Ms. Mendes informs the Committee that First 5 LA is on track to receive the amount of what the Department of Finance estimated we would be receiving in tobacco tax. With regards to interest income, First 5 LA received \$3.3 M, which is a little less than what we originally projected (\$3.5 M).

Commissioner Zepeda asks what the current interest rate is for this account?

Ms. Mendes informs the Committee that the current interest rate is .87 %.

She goes on to explain that there was about \$12.1 M that went out the door for the month of March related to Legacy investments. Year-to-date, Ms. Mendes says that we have spent about 37% of our budget which is a little bit lower than last year this same month.

Overall, Ms. Mendes announces that the March monthly financials are in alignment with what was originally projected for FY 15-16.

Ms. Belshé reminds the Committee that as our legacy investments come to an end, we are slowly aligning our expenditures with our declining revenue to ensure that we are living within our means.

There is no further discussion on this item.

SUMMARY MEETING NOTES

4. Annual Audit – Entrance Interview

Mr. Genio gives a brief introduction to this item. Mr. Alfaro from Vavrinek, Trine and Day, Co (VTD) takes over and gives a brief overview of the audit process that he and his company will be undertaking with First 5 LA in the coming months. He informs the committee that he will be going over the scope and timing of the audit for Fiscal Year 15-16. Mr. Ortega 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 following audits:

- 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)

VTD 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, in all material respects, are presented fairly and in conformity with generally accepted accounting principles

He reminds the Committee that these opinions, though reasonable, are not necessarily absolute assurance. He also adds that the audit does not relieve the Commission or management of its responsibilities.

He further adds that VTD is also responsible for the following:

- Obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures -
 - Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity
- Communicating 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. He says 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.

SUMMARY MEETING NOTES

Mr. Alfaro says that the final stage of the audit will be to perform substantive tests, from 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 completes his presentation to the Committee and now asks if there are any questions about the audit process.

Commissioner Zepeda would like to know when the audit will come back to this Committee.

Mr. Genio informs the Committee that this item will most likely come back in September to the Budget and Finance Committee.

Commissioner Zepeda would like to know how a material statement is considered important enough that it would get documented.

Mr. Alfaro says there are a series of tests that are run using a benchmark on their barometer to determine whether or not a finding is material or immaterial. He says that even immaterial findings are reported out in the deliverables that are given to First 5 LA. First 5 LA can determine on its own whether or not the immaterial items would get adjusted.

Ms. Belshé asks Mr. Alfaro about the process that is involved each year as part of the audit process and whether or not this process changes on a year-to-year basis.

Mr. Alfaro says that although the foundation of the process remains the same, depending on current governmental standards and requirements, there may be additional tests run during the audit to ensure that we are meeting those standards and requirements.

There is no further discussion on this item.

5. Review Proposed Final FY 2016-17 Budget

Ms. Mendes and Ms. Lopez present the final draft of the proposed FY 2016-17 to the Budget and Finance Committee.

Ms. Mendes presents a timeline of when the Finance team will present this final budget at various upcoming Commission/Committee meetings. She says the next presentation after today will be at the May 26 Program and Planning committee and then staff will finally seek action at the June 9 Commission meeting.

Some key highlights she goes over that are different from previous years' (FY 15-16) budget are:

- Overall decrease of \$56.7 million (26%)
- Increase of \$32 million (54%) in resources to support the 2015-2020 Strategic Plan
- Decrease of \$89.8 million (69%) in resources for Legacy Initiatives

SUMMARY MEETING NOTES

FY 2016-17 Budget Summary

BUDGET CATEGORY	Draft Proposed		Final Proposed		Variance
	FY 2016-17 Budget (May 2016)		FY 2016-17 Budget (June 2016)		
Program					
<i>2015-2020 Strategic Plan: Focusing for the Future</i>					
a. Strategic Plan Priority Outcome Areas	\$	83,305,000	\$	83,584,000	\$ 279,000 0.3%
b. Strategic Plan Investment Areas & Support Costs		8,087,000		8,087,000	- 0.0%
<i>Total 2015-2020 Strategic Plan</i>	\$	91,392,000	\$	91,671,000	\$ 279,000 0.3%
<i>Legacy Investments</i>		41,144,000		42,146,000	1,002,000 2.4%
<i>Research & Evaluation</i>		6,291,000		6,468,000	177,000 2.8%
Total Program	\$	138,827,000	\$	140,285,000	\$ 1,458,000 1.1%
Operating		21,235,158		21,235,158	- 0.0%
TOTAL BUDGET	\$	160,062,158	\$	161,520,158	\$ 1,458,000 0.9%

Ms. Lopez explains that the reasons for budget changes fall under two categories:

1. New data available to inform budget development (\$1.28 million increase)
2. Delay in current year activity (\$177,000 increase)

She now goes over the budget changes from the draft proposal that was presented to the Budget and Finance Committee back in April:

INITIATIVE	PROGRAM	DRAFT FY 2016-17 (MAY)	CHANGE	FINAL FY 2016-17 (JUNE)	% CHANGE	REASON FOR CHANGE
2015-2020 STRATEGIC PLAN						
Community Strategy 1 - Shared Vision & Collective Action	Community Engagement	9,254,000	46,000	9,300,000	0%	ND
ECE Strategy 1 - Policy/Advocacy	Kindergarten Readiness Assessment	330,000	145,000	475,000	44%	ND
Families Strategy 2 - Family Engagement	Data Development	140,000	200,000	340,000	143%	ND
Health Strategy 1 - Early Identification/ Developmental Screening/ Connection to Services	Developmental Screening/Help Me Grow	1,236,000	(112,000)	1,124,000	-9%	ND
LEGACY INVESTMENTS						
Black Infant Health	Black Infant Health Program	1,509,000	194,000	1,703,000	13%	ND
Children's Dental Care	Children's Dental Care Program	8,336,000	572,000	8,908,000	7%	ND
Healthy Food Access	Market Match	700,000	40,000	740,000	6%	ND
Little by Little/One Step Ahead	Little by Little/One Step Ahead Program	3,116,000	196,000	3,312,000	6%	ND
RESEARCH AND EVALUATION						
Program Evaluation	Welcome Baby Implementation and Outcomes Evaluation	775,000	177,000	952,000	23%	D
TOTAL FIRST 5 LA		\$1,458,000				
KEY: Reason for Change						
ND = New data available to inform budget development						
D = Delay in current year activity						

Ms. Lopez explains a couple of impacts to the administrative cost limit (ACL):

- ACL (\$12.4 million) decreased to 7.67% of the FY 2016-17 Budget (from 7.81%)

SUMMARY MEETING NOTES

- First 5 LA, as compared to other First 5's, has the 2nd lowest ACL, with rates across all County Commissions ranging from 5.5-25% of spending

Ms. Mendes reminds the Committee of First 5 LA's Government Standards Accounting Board (GASB) 54 commitments. As part of the annual budget process, staff presents projected fund balance categories to the Commission for review. This provides the Commission a regular opportunity to review and approve existing commitment levels.

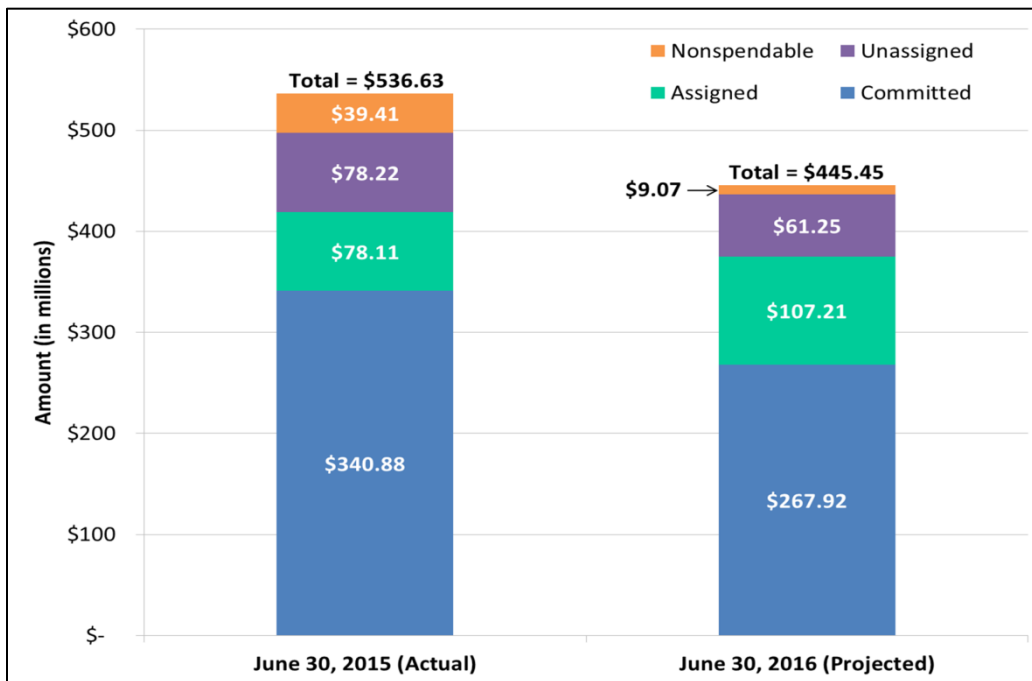
Ms. Mendes also goes through the definitions of the Fund Balance categories as a refresher to the Committee members before going over Fund Balance projections.

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.

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.

Assigned: Funds are reserved for Commission use consistent with the 2015-2020 Strategic Plan.

Unassigned: Funds designated for the Operating Budget and Reserve.



Ms. Mendes then brings this presentation to a close by informing the Committee of the various actions that staff will seek at the June Commission meeting.

1. Total FY 2016-17 Budget of \$161.5 million
 - Attachment A – FY 2015-16 Budget Summary
2. Reaffirmation of GASB 54 Commitments
 - Attachment E – GASB 54 Fund Balance Presentation
3. Redirection to Assigned Fund Balance
 - \$3.15 million projected remaining balances related to ended/ending initiatives
4. Fund Balance Reserve
 - 25% of the total FY 2016-17 Budget (\$40,380,040)

SUMMARY MEETING NOTES

5. Administrative Limit for FY 2016-17

- Attachment A – Administrative Limit Calculation (\$12.4 million, or 7.67%)

Ms. Mendes indicates that there is always an expectation of a change since the budget process starts so early and sometimes before contracts are finalized. So as we near the end of the budget process, changes are anticipated.

Ms. Belshé asks the Committee if there are any recommendations for the Finance team to improve their presentation before it goes before the entire Board.

Although Commissioner Ybarra says that he doesn't see any surprises in this presentation, Commissioner Zepeda says that it is important for her to better understand the risks that are associated with declining revenues and would like to see staff refer back to the Strategic Plan when explaining the budget to articulate how First 5 LA's work is grounded in its Strategic Plan, thus explaining how the budget was finalized.

There is no further discussion on this item.

6. **First 5 LA Policy Update:**

- **Fund Balance Policy**
- **Budget Policy**

Mr. Wagner goes over some changes regarding First 5 LA policies that are within the purview of the Budget and Finance Committee, given they are budget related.

The two policies that staff is proposing changes to are:

- Fund Balance Policy
- Budget Policy

Mr. Wagner informs the Committee that the policy changes being proposed are needed to reflect what is going on in our current environment.

Fund Balance Policy:

The current language and examples used in this policy are reflective of the previous strategic plan so staff is recommending an update to reflect our current strategic plan. This policy ensures that we align our accounting practice to the requirements of the U.S. Government Standards Accounting Board (GASB), which went into effect in 2010.

Budget Policy:

The proposed change would consolidate three of our existing policies into one, as well as reflect current practice in the preparation, approval and implantation of the programmatic and operating budget for First 5 LA.

In addition, the following changes to this policy are being recommended:

- Consolidation of 3 separate policies dealing with the budget into one policy;
- Maintaining the current practice of adopting a budget by June 30 (versus April 30);
- Maintaining the current practice of adopting an annual budget (versus 2-year plan);
- Deleting a special one-time reserve fund under the authority of the Executive Director to be funded by "underspending" of the operating budget;
- Continuing the policy of: the development of an annual Long Term Financial Project (LTFP); movement across spending items in the Operating Budget up to \$25,000 without Board approval for management of administrative needs; annual determination of an Administrative Cost

SUMMARY MEETING NOTES

Calculation (or “admin cap”); staff compilation of an annual budget calendar that is brought to the Board in January.

Mr. Wagner indicates that these are ministerial changes and upon endorsement from the Budget and Finance Committee, the next step would be to present to the Executive Committee before it goes before the full Board.

The Committee endorses the changes.

There is no further discussion on this item.

7. Public Comment

No public comment.

ADJOURNMENT:

The meeting was adjourned at 2:18 pm.

NEXT MEETING:

The next Budget and Finance Committee meeting will take place on Wednesday, September 28, 2016 at 11:00 am.

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

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

INITIATIVE SPENDING UPDATE
Report to the Budget & Finance Committee

1. Initiative: Parent Child Interaction Therapy Initiative (PCIT)

2. Financial status:

Department of Mental Health (DMH) Spending (Contracted vs Actual)

(Up to 17 million allocation)

Training year	DMH Contracted Budget	DMH Actual Invoices	Percentage spent
FY 12/13	\$2,961,548	\$961,952	32%
FY 13/14	\$3,182,610	\$1,530,120	48%
FY 14/15	\$3,799,251	\$1,043,082	28%
FY 15/16	\$3,865,380	*\$1,413,207	37%
FY 16/17	\$6,149,186	N/A	N/A

Total Spent \$4,948,361 to date

**FY 15/16 Estimated Expenses*

UC Davis CAARE Center Spending (Contracted vs Actual)

(Up to 3 million allocation)

Training year	UC Davis Contracted Budget	UC Davis Actual Invoices	Percentage spent
FY 12/13	\$612,851	\$280,946	46%
FY 13/14	\$1,282,245	\$812,269	63%
FY 14/15	\$873,114	\$728,048	83%
FY 15/16	\$774,128	\$641,401	83%
FY 16/17	\$510,441	N/A	N/A

Total Spent \$2,462,664 to date

3. Brief purpose & history of the initiative:

PCIT works with parents and children together to improve the quality of the parent-child relationship and to teach parents the skills necessary to manage their child's severe behavior problems. PCIT has also been shown to successfully reduce trauma symptoms of abused or maltreated children.

At the February 10, 2011, the First 5 LA Commission approved an allocation for the project in the amount of up to \$20,000,000. A Strategic Partnership with DMH began October 1, 2012 and will continue through September 30, 2017. As a result of an RFQ award, First 5 LA also entered into a 5-year contract with the Regents of California, University of California (UC) at Davis, CAARE Diagnostic & Treatment Center in September 2012 for up to \$3,000,000, to act as lead training agency for the project.

The First 5 LA PCIT Initiative has numerous programmatic objectives which include:

- Expand the number of agency sites and create a network of service providers that deliver PCIT services throughout Los Angeles County.
- Increase the number of PCIT certified clinicians throughout LA County.
- Develop and enhance referral streams for eligible young children to local PCIT provider agencies.
- Increase access to PCIT for children ages 2-5 years.
- Demonstrate clinically significant decline in the intensity of maladaptive behaviors among the children served and improved parent/caregiver outcomes.
- Developing a self-sustaining network of PCIT training and services.

4. Implementation status/update of programs(s):

PCIT is an evidenced based parenting program which has been shown to have much success with vulnerable populations. This prevention oriented intervention has been proven effective by over 150 research studies along a continuum of parenting outcomes and has specifically been found to:

- Increase positive relationships between caregivers and child
- Increase child's emotional regulation
- Increase children's language use
- Increase parents reflective listening, physical proximity, and prosocial verbalizations
- Decrease child abuse potential
- Decrease child mental health problems
- Decrease parental stress

To date this workforce investment 61 agency sites have received PCIT training with 34 sites having completed training. Further, a total 43 individuals have been trained who can act in a train the trainer capacity (from 27 sites).

Significant progress on objectives during the implementation of this workforce development practice has occurred. Despite this both contracted agencies will not be able to complete key objectives by the scheduled end date for the initiative and monies are anticipated to be left over from initiative (approx. 6-8 million of the allocation).

5. Reasons for the unanticipated rate of spending

The following are important contributors to the unanticipated spending rate reflected in the Financial Reports.

1) DMH Medi-Cal/EPSTD match:

- Each year funds are used for the purpose of obtaining Federal Medi-Cal/EPSTD matching dollars. This match amount has been higher than originally anticipated. The DMH match allowable amount is provided by the State towards the latter part of the calendar year after each fiscal year closes.

2) Development of allocation:

- First 5 LA Staff were not involved in creating assumptions of the initiative allocation and therefore a realistic budget was not created for this project.

3) Advanced Training Only in FY12-13:

- In the first year (nine months) of the project (FY 12-13) new provider training did not occur due to delays in start-up. 13 advanced training to existing PCIT providers occurred in this period only.

Related challenge

UC Davis will be out of money at conclusion of FY16-17

- UC Davis and DMH have an MOU to work collaboratively together throughout the life of the project, meaning one organization can not function without the other. UC Davis has the responsibility for providing training in the First 5 LA PCIT Training Project. DMH provides staff support to plan, develop, implement and coordinate PCIT activities.
- Overtime, due to the changes in scope to incorporate more depth activities, UC Davis spending was higher than originally anticipated.

Parent-Child Interaction Therapy

Budget & Finance Committee
Meeting

September 28, 2016

1ST  LA
first 5 la
Giving kids the best start



Learning Objective

Discuss lessons learned about program implementation and financial implications of the Parent Child Interaction Therapy (PCIT) initiative



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PCIT VIDEO

1ST  LA
first 5 la
Giving kids the best start



PCIT Model

- Developed to **reduce children's disruptive behaviors** and to **improve parenting skills**
- Both parent and child participate in treatment sessions to promote **positive parent-child relationships**

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Goals & Outcomes of PCIT

Prevent & Reduce Child Maltreatment By:



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Overview of First 5 LA investment

The **PCIT** Training Program is a **Workforce Development project** that provides support to agencies during training period

- \$20 million allocation spanning from 2012-2017
- Funds for facility upgrades and training for clinicians in the practice
- Funds to outreach to special populations and provide services to indigent clients

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Workforce Development Initiative Goals

- Improving outcomes for families with children ages 2-5 by
 - Expanding the number of agency sites and creating a network of service providers that deliver PCIT services throughout Los Angeles County
 - Increasing the number of PCIT approved therapists throughout LA County
 - Developing and enhancing referral streams for eligible young children to local PCIT provider agencies
 - Increasing access to PCIT for children ages 2-5 years

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Collaborative Partners



PCIT
Training
Center ²⁰



County of Los Angeles
Department of Children and Family Services



Collaborative Funding Partners

LA County Department of Mental Health (DMH)

(Up to \$17 million allocation)

- Largest public mental health system in the U.S.
- Since 2009, DMH has implemented 30 child-focused Evidence-Based Programs, Promising Practices, and Community Defined Evidence Programs including PCIT.
- Implement the countywide expansion of PCIT with a focus on 2-5 years olds, including children who are in or at risk of entering the child welfare system.
- First strategic partnership between DMH and First 5 LA

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Collaborative Funding Partners

UC Davis PCIT Training Center

(Up to \$3 million allocation)

- Established in 1999
- Effectively trained more than 130 agencies world wide
- Funded by SAMHSA to create a 10-hour web course to aid training
- Collaborate with LA County DMH to expand the workforce, train clinicians, create network in PCIT

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Target Population

- Project target population: **children ages 2 to 5**
- Parents/caregivers seeking to improve parenting skills

Priority Child Welfare Populations

- Family Reunification
- Foster teen/AB12 parents with young children
- Foster parents involved in long-term placement
- Kinship cases
- Adoption cases



New Provider Training Summary

FY 2013-Present
Cohorts 1-4

248

Therapists initiated Training

81 33%

Therapists Currently Training

101 41%

Certified PCIT Therapists

61 Sites Launched

34 Sites Completed
56%

24

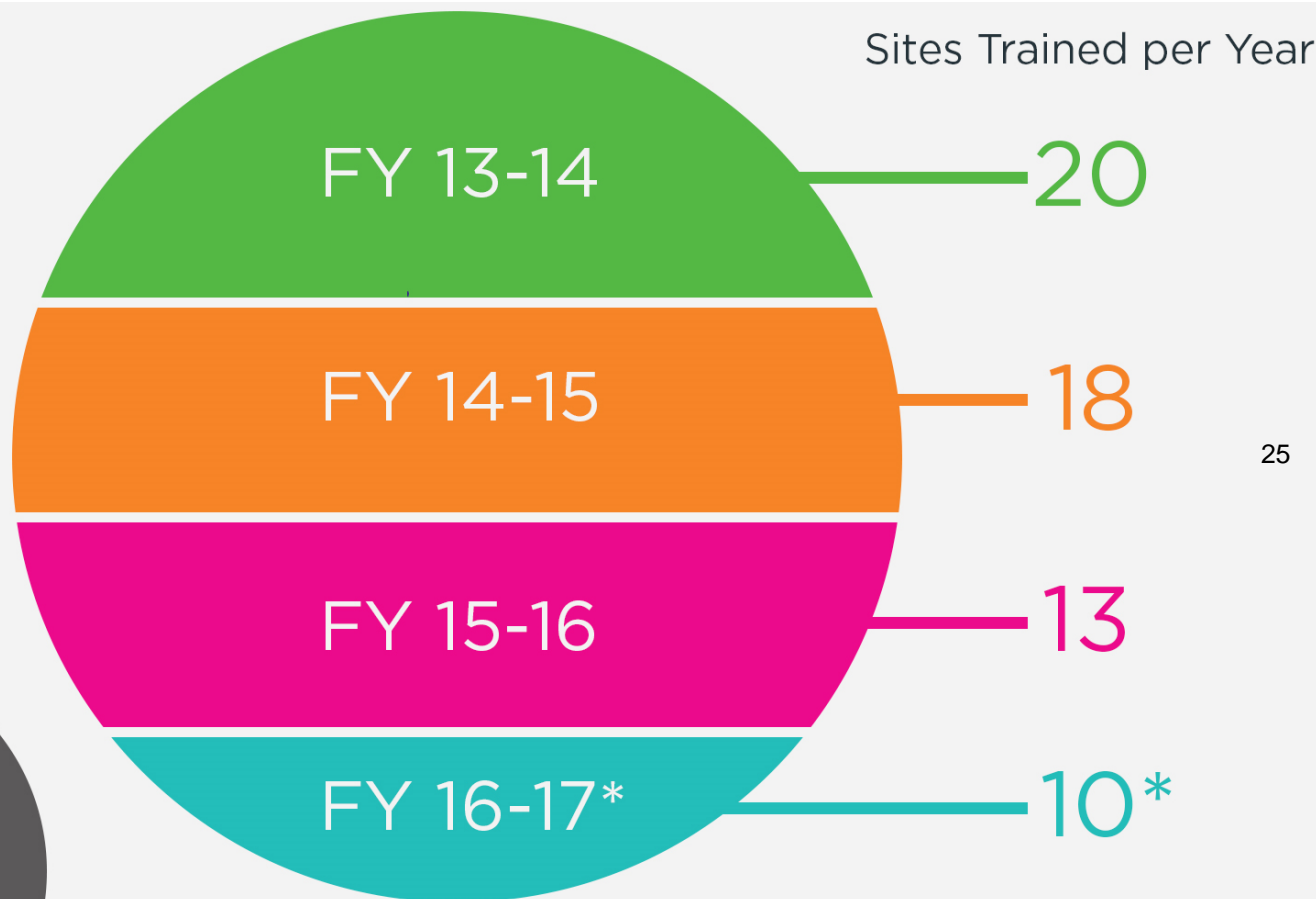
43 Total Certified PCIT Trainers at **27** sites

Sites Trained

61
New Sites
Providing
PCIT by
2017*

*Projected

FY 12-13
13 advanced
training to
existing sites

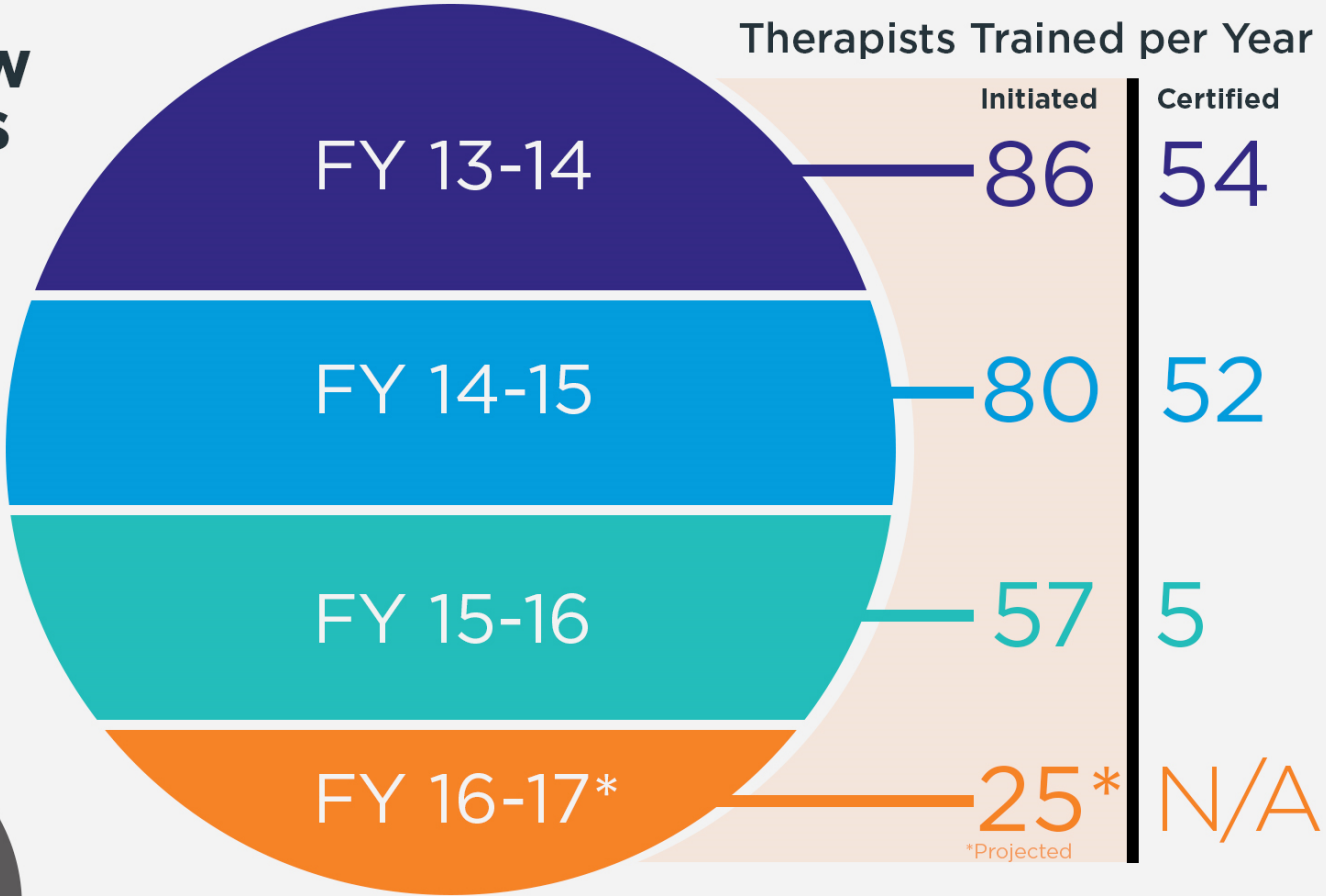


PCIT Therapists Trained Countywide

248 new therapists initiated*

*Projected

FY 12-13
13 advanced training only

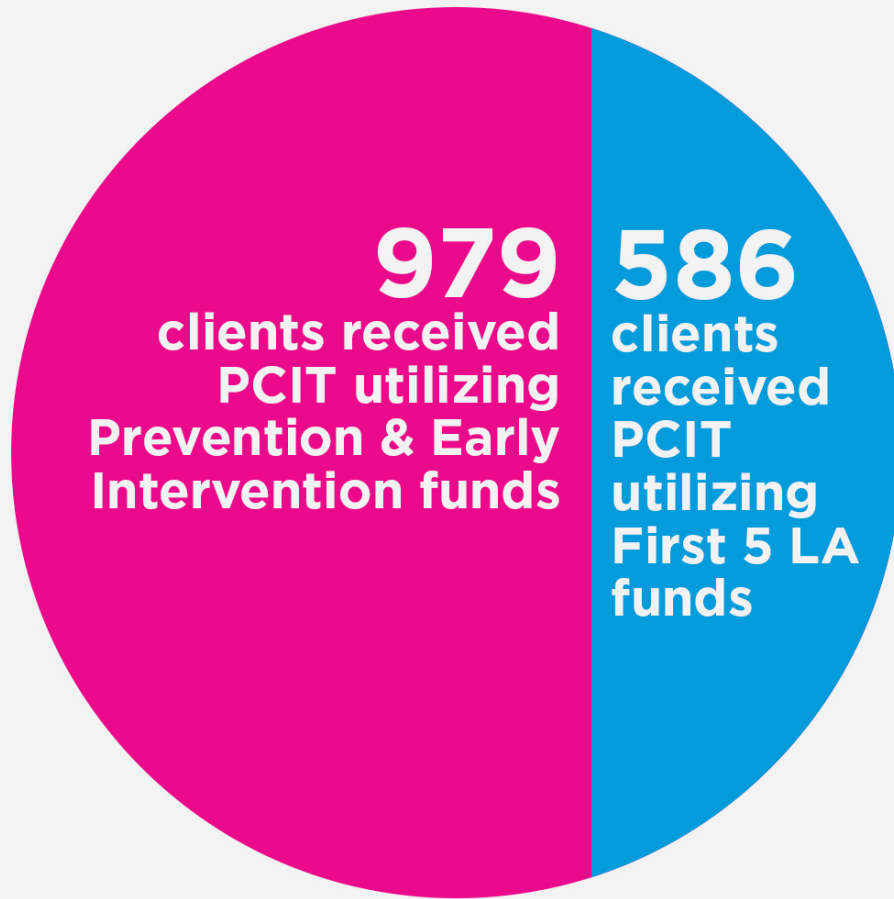


Early Systems Change Results

- Expanded the initial provider network by adding 61 new sites and countywide coverage.
- Grown the total number of PCIT clients. DMH system more clients served by PCIT has increased.
- Cohort 1 (FY 13-14) agencies demonstrated an increased capacity to sustain the PCIT program internally (within their own agency).



Clients Served by PCIT (FY 2014-15)



1,565 Clients Received PCIT

Sustainability

Future Services

PCIT is a DMH adopted evidenced based program strategy. Medi-Cal/EPSTD can be used to sustain after First 5 LA training is completed.

Training

A goal of training is to establish a Training of Trainers (TOT) model system where each agency has a designated person who can train other staff (who are interested acquiring the skills necessary to deliver PCIT).



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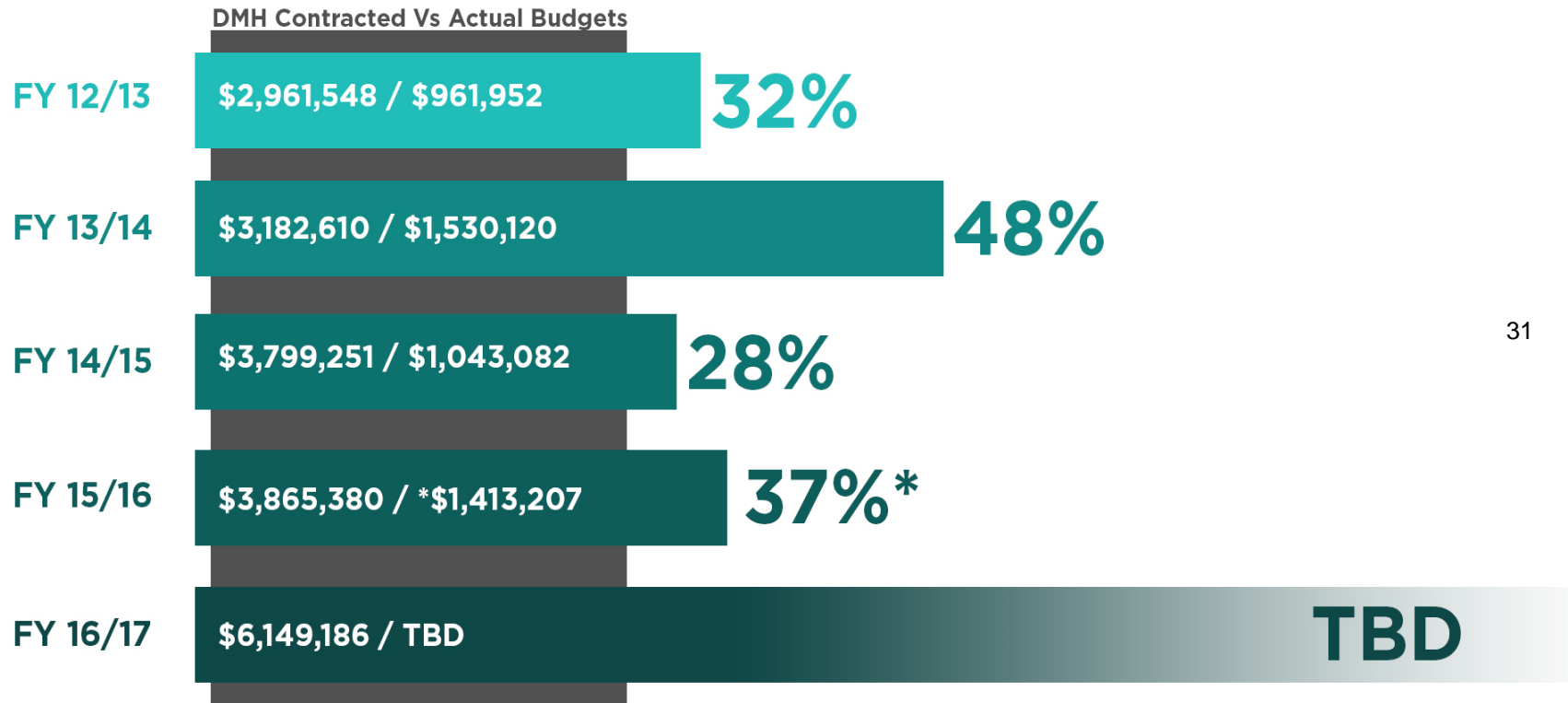
Questions



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DMH Spending (Contracted vs Actual)

Allocation up to \$17 Million

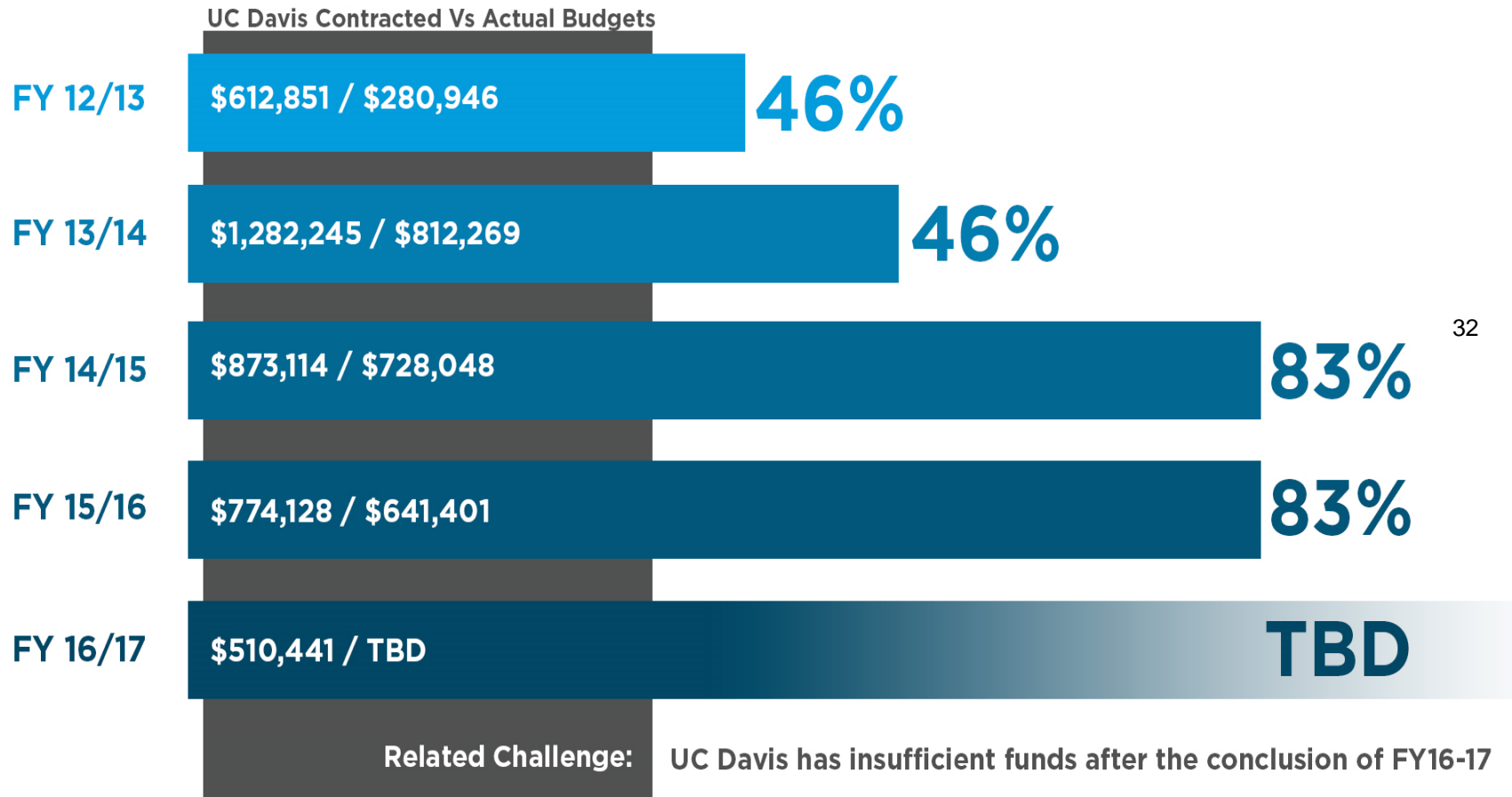


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*DMH estimated totals not actuals

UC Davis Spending (Contracted vs Actual)

Allocation up to \$3 Million



Factors Impacting Decreased Spending



Decreased Spending

- Unexpected amount of DMH Medi-Cal match
- Planning prior to allocation
- Advanced training only FY 12-13

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Net Result : \$8 million in projected underspending



Where we are going.

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**Moving forward
options.**

PCIT Project Close-Out Strategy

Provider Training

- Complete all existing agencies (through cohort 4)
- Launch 5th cohort in July 2017

Training Infrastructure

- Advanced Training for all sites
- Develop Training Infrastructure and Provider Network

Outreach

- Targeted Outreach to DCFS clients and formerly homeless
- Mobile Van Services

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Spend \$5.8 million of the \$8 million in savings.

Extend project (no-cost extension) an additional 21 months through June 30, 2019.

Questions



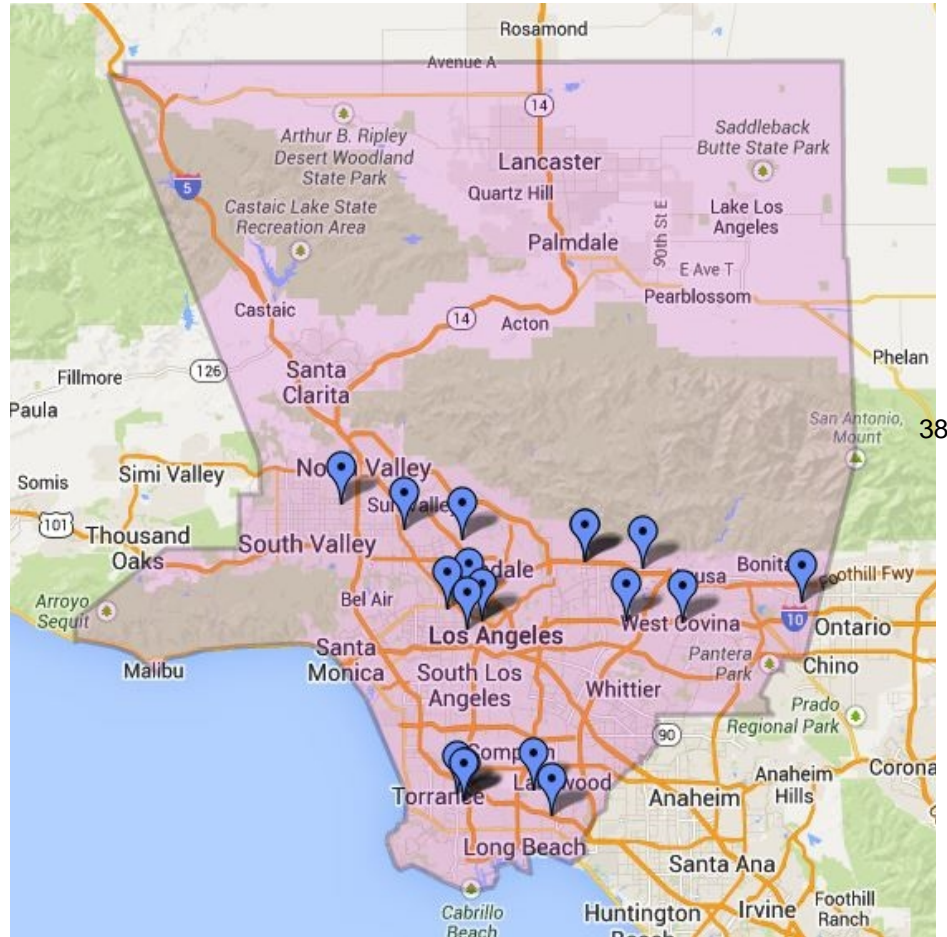
Appendices

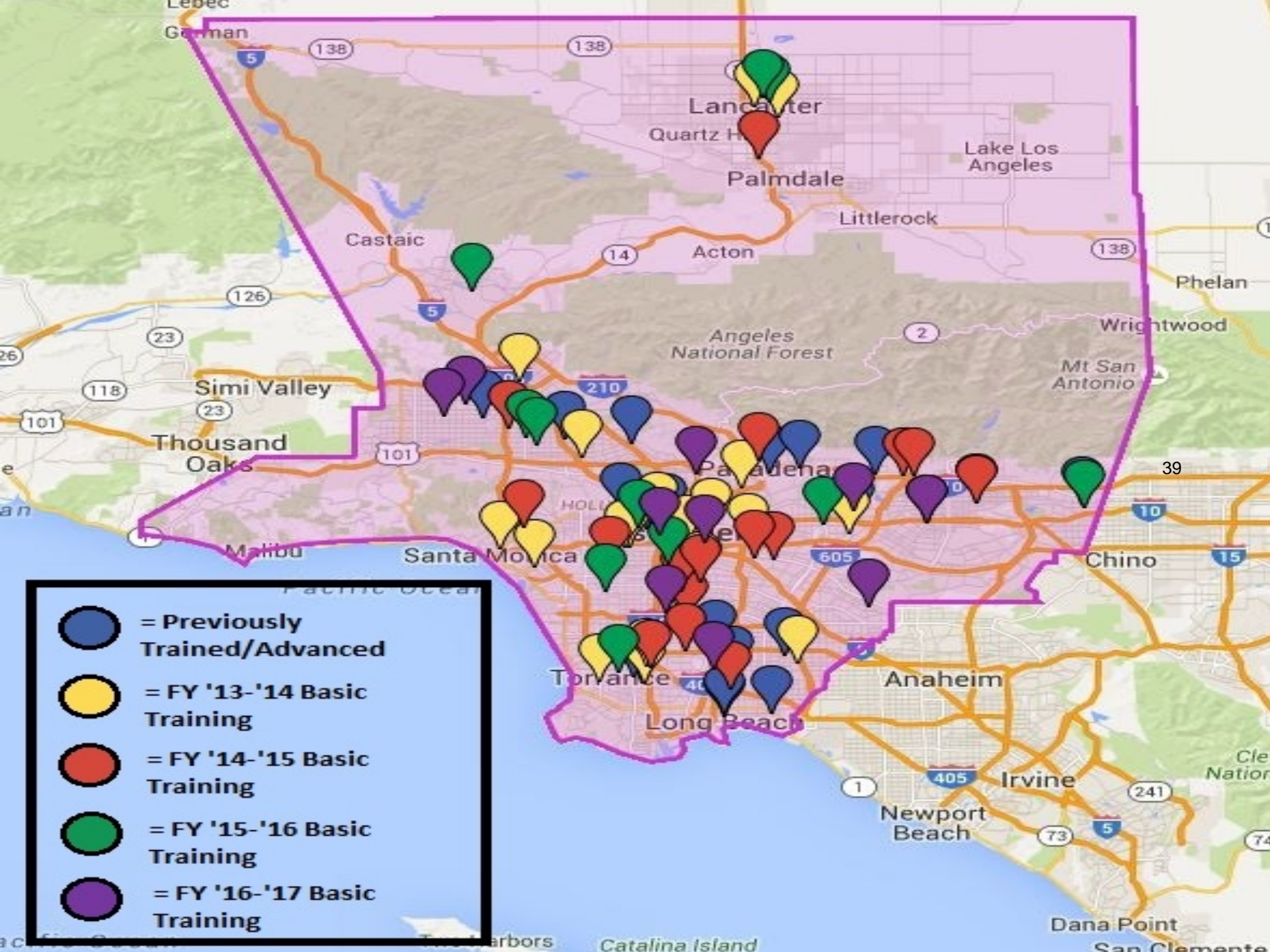


Prior Workforce and Capacity Landscape (FY 2012-13)

**PCIT Training Sites in
Los Angeles County:**

**Advanced Providers
(prior to PCIT Project start)**





-  = Previously Trained/Advanced
-  = FY '13-'14 Basic Training
-  = FY '14-'15 Basic Training
-  = FY '15-'16 Basic Training
-  = FY '16-'17 Basic Training

<https://www.youtube.com/watch?v=xAEVjnOG63s>

FIRST 5 LA

SUBJECT:
Monthly Financial Reports

RECOMMENDATION:
Approval of the monthly financial statements for the month ending August 31, 2016.

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 August 31, 2016. 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 2016. For the FY 2015-16 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, 2016. Beginning July 1, 2016, these statements revert to a cash basis and account for reversals of any accruals for either revenues or expenditures.

Similarly, by presenting the monthly financial statements on a cash basis, payments for activities are recorded in the accounting period in which the payment occurs, resulting in a timing delay between activities taking place and actual payment since First 5 LA operates primarily on a reimbursement model. This delay results in fewer payments for FY 2016-17 activities being recorded in the financial statements for the early part of the fiscal year.

First 5 LA began the month with a cash balance of \$460.8 million. During the month, we received \$370,860 in revenues. We had \$1.6 million in operating expenditures, \$777,672 in program expenditures, and \$207,330 in pass-through expenditures. As a result, First 5 LA ended the month with a cash balance of \$458.6 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 August 31, 2016.
- Detailed operating and program expenditures: Shows expenses against the FY 2016-17 Budget approved on June 9, 2016, 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
August 31, 2016, Unaudited

	REVENUES AND EXPENDITURES	FISCAL YTD EXPENDITURES/ BUDGET %
Cash Balance as of July 31, 2016	\$ 460,788,985	
Revenue		
Monthly State Allotments	\$ -	(1)
State Commission Matching Grant - Cares Program	-	
Medi-Cal Administrative Activities (MAA)	93,885	
State Commission - Other Program Funds	-	
Interest Income - Unreserved	267,547	
Investment Income - Other	-	
Rental Revenue - La Petite	9,428	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	-	
ECE-LA County IMPACT	-	
Total Revenue	\$ 370,860	
Expenses		
Program Budget (Attachment A)		
2015-2020 Strategic Plan: Focusing For The Future	\$ 500,978	1%
Legacy Investments	174,742	1%
Research and Evaluation	101,952	2%
Total Initiative/Program Expenses	\$ 777,672	1%
Pass-Through (Attachment B)		
Medi-Cal Administrative Activities (MAA)	\$ -	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	207,330	
Total Pass-Through Expenses	\$ 207,330	
Operation and Administration (Attachment C)		
Personnel	\$ 1,273,627	12%
General Operating	168,573	18%
Professional Services	20,488	3%
Consultant Services	72,317	6%
Travel & Meetings	28,037	7%
Capital Improvements	-	0%
Total Operation and Administration	\$ 1,563,042	11%
Total Expenses	\$ 2,548,045	
Variance (Revenue - Expenses)	\$ (2,177,185)	
Cash Balance as of August 31, 2016	\$ 458,611,800	(2)

NOTE:

- 1) Received June 2016 Tobacco Tax Revenue in August 2016. Revenue was booked as a FY 2015-16 receivable.
- 2) 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 2016-17 BUDGET
AUGUST 31, 2016, UNAUDITED

INITIATIVE/PROGRAM	FY 2016-17 BUDGET*	AUGUST EXPENDITURES	FISCAL YTD EXPENDITURES	BALANCE REMAINING	FISCAL YTD EXPENDITURES/ BUDGET%
2015-2020 STRATEGIC PLAN: FOCUSING FOR THE FUTURE					
Strategic Plan Priority Outcome Areas					
Families	38,081,000	182,239	182,239	37,898,761	0%
Communities	18,883,000	202,969	206,534	18,676,466	1%
Early Care & Education Systems	24,199,000	85,761	86,273	24,112,727	0%
Health-Related Systems	2,421,000	1,035	71,035	2,349,965	3%
Strategic Plan Investment Areas & Support Costs					
Policy Agenda/Advocacy	2,442,000	-	-	2,442,000	0%
Communications & Marketing	5,345,000	28,974	28,974	5,316,026	1%
Communications - Conference Funding	300,000	-	-	300,000	0%
Subtotal 2015-2020 Strategic Plan	91,671,000	500,978	575,055	91,095,945	1%
LEGACY INVESTMENTS					
At-Risk Fathers Investment	299,000	-	-	299,000	0%
Baby Friendly Hospitals	918,000	-	-	918,000	0%
Black Infant Health	2,203,000	-	-	2,203,000	0%
Children's Dental Care	8,908,000	-	-	8,908,000	0%
Children's Vision Care	1,333,000	10,660	10,660	1,322,340	1%
Early Identification and Intervention - Autism and other Developmental Delays	908,000	12,597	12,597	895,403	1%
Healthy Food Access	1,174,000	-	-	1,174,000	0%
Healthy Kids	373,000	56,341	115,543	257,457	31%
Information Resource and Referral	1,260,000	-	-	1,260,000	0%
Little by Little/One Step Ahead	3,312,000	-	-	3,312,000	0%
Oral Health & Nutrition - Dental Home	890,000	-	-	890,000	0%
Parent Child Interaction Therapy	3,590,000	-	-	3,590,000	0%
Policy Advocacy Fund	1,263,000	-	-	1,263,000	0%
Reducing Childhood Obesity	5,133,000	-	-	5,133,000	0%
Resource Mobilization - ECE	800,000	-	-	800,000	0%
Resource Mobilization - Funder Partnership	75,000	-	-	75,000	0%
Resource Mobilization - Health	326,000	7,924	7,924	318,076	2%
Resource Mobilization - Organizational Capacity Building	125,000	-	-	125,000	0%
Resource Mobilization - Project Development	250,000	-	-	250,000	0%
Universal Assessment of Newborns	8,451,000	87,221	87,221	8,363,779	1%
Workforce Development	555,000	-	-	555,000	0%
Subtotal Legacy Investments	42,146,000	174,742	233,944	41,912,056	1%
RESEARCH AND EVALUATION					
Data Development and Integration	861,000	55,274	55,274	805,726	6%
Data Partnership with Funders	900,000	-	-	900,000	0%
Program Evaluation	4,707,000	46,678	46,678	4,660,322	1%
Subtotal Research and Evaluation	6,468,000	101,952	101,952	6,366,048	2%
TOTAL	140,285,000	777,672	910,951	139,374,049	1%

* The FY 2016-17 Program Budget was approved by the Board of Commissioners on June 09, 2016.

NOTES -PROGRAM EXPENDITURES BY FY 2016-17 BUDGET:

Journal entries for FY 2015-16 accrued expenses were reversed in July 2016. The amounts reported are the actual program expenditures for August 2016.

LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)
 EXPENDITURES - PASS-THROUGH
 AUGUST 31 2016, UNAUDITED

Attachment B

INITIATIVE/PROGRAM - PASS-THROUGH	AUGUST EXPENDITURES	YEAR TO DATE EXPENDITURES
Medi-Cal Administrative Activities (MAA) - LA County Charges	-	-
Medi-Cal Administrative Activities (MAA) - Participation Payment	-	-
Partnerships For Families - LA County Department of Children and Family Services (DCFS)	207,330	207,330
TOTAL	<u>207,330</u>	<u>207,330</u>

**Los Angeles County Children and Family First -
Proposition 10 Commission (aka) First 5 LA
Operating & Administrative Budget Update
August 31, 2016, Unaudited**

OPERATION AND ADMINISTRATION EXPENSE	AUGUST ACTUAL	FISCAL YTD ACTUAL	FY 2016-17 BUDGET	FISCAL YTD VARIANCE	FISCAL YTD/BUDGET %
Personnel Services					
Salaries & Wages	970,443	1,456,546	13,178,557	11,722,011	11%
Fringe Benefits	303,184	572,312	3,909,538	3,337,226	15%
Total Personnel Services	1,273,627	2,028,858	17,088,095	15,059,237	12%
General Operating Expenses					
ADP Payroll Charges	5,428	5,428	31,000	25,572	18%
Workers Compensation Insurance	76,103	76,103	100,000	23,897	76%
Corporate Insurance	-	-	76,000	76,000	0%
Mileage Expense	4,190	4,503	64,450	59,947	7%
Telephones & Modems	4,937	6,523	35,000	28,477	19%
Printing	1,773	1,773	18,750	16,977	9%
Postage & Delivery	1,100	2,200	13,300	11,100	17%
Office Supplies	6,571	10,157	80,640	70,483	13%
Subscriptions & Publication	60	60	10,060	10,001	1%
Equipment Rental	8,813	15,722	118,200	102,478	13%
Repair & Maintenance - Furniture & Fixtures	17,778	32,261	180,000	147,739	18%
Repair & Maintenance - Equipment	-	-	26,000	26,000	0%
Rents & Lease - Offsite Storage	4,077	10,317	19,700	9,383	52%
Los Angeles County Overhead	11,938	11,938	27,000	15,062	44%
Contingency	-	10,000	75,000	65,000	13%
Facilities & Other Supplies	750	750	12,150	11,400	6%
Utilities	15,257	30,757	165,000	134,243	19%
Educational Supplies	-	-	1,450	1,450	0%
Cell Phones	3,308	7,965	51,240	43,275	16%
Hardware & Software Maintenance	6,490	9,513	220,600	211,087	4%
Total General Operating Expenses	168,573	235,969	1,325,540	1,089,571	18%
Professional Services					
Audit and Accounting Fees	-	-	70,000	70,000	0%
Legal Fees	-	-	175,000	175,000	0%
Membership Dues	9,665	9,665	85,052	75,387	11%
Professional Development	288	5,238	266,000	260,762	2%
Professional Dues First 5 Association	-	-	70,000	70,000	0%
Staff Recruitment	1,040	1,040	25,000	23,960	4%
Commission Stipends	-	750	34,000	33,250	2%
Human Resources Related Costs	9,494	9,494	78,000	68,506	12%
Total Professional Services	20,488	26,188	803,052	776,864	3%
Consultant Services					
Consultant Fees	48,650	48,674	1,208,000	1,159,326	4%
Other Professional Fees	23,667	44,389	276,950	232,561	16%
External Reviewers	-	-	8,000	8,000	0%
Total Consultant Services	72,317	93,063	1,492,950	1,399,887	6%
Travel & Meeting Expenses					
Conferences - Travel & Lodging	6,555	6,555	89,492	82,937	7%
Conference - Registration Fees	11,429	11,429	119,285	107,856	10%
Local Meeting Expenses	3,929	3,929	71,700	67,771	5%
Lodging	5,464	5,464	98,726	93,262	6%
Per Diem	660	3,446	51,318	47,872	7%
Total Travel & Meeting Expenses	28,037	30,823	430,521	399,698	7%
Capital Improvements					
Capital Outlay (Equipment Purchases)	-	-	75,000	75,000	0%
Capital Improvements	-	-	20,000	20,000	0%
Total Capital Improvements	-	-	95,000	95,000	0%
TOTAL OPERATING EXPENSES	1,563,042	2,414,901	21,235,158	18,820,257	11%

NOTES - OPERATING & ADMINISTRATIVE BUDGET UPDATE:

The administrative expenses are within the maximum authorized under the ⁴⁵ Board policy.

* The FY 2016-17 Operating Budget was approved by the Board of Commissioners on June 09, 2016.

**Los Angeles County Children and Families First -
Proposition 10 Commission
Statement of Net Assets
August 31, 2016 Unaudited**

Assets

Current Assets:

Cash	\$	4,092,901
Cash- Morlin Mgmt Corp		26,950
Investment:		
Operating and Allocated funds		432,828,082
Operating Fund - SRI		-
Advance - LA Care Health Plan		8,139,047
Advance - LAUP		25,320,585
Advance - UCLA Dental Home Project		704,301
Interest Receivable		-
Other Receivables		1,729,064
Total Current Assets	\$	472,840,930

Fixed Assets:

Land	\$	2,039,000
Building & Improvements		12,076,512
Furniture & Fixtures		627,671
Computer, Software & Accessories		1,779,722
Office Equipment		331,033
Accumulated Depreciation		(5,260,912)
Total Fixed Assets	\$	11,593,026

Total Assets **\$ 484,433,956**

Liabilities and Net Assets

Current liabilities:

Other Liabilities	\$	26,228,952	(1)
Total Current Liabilities	\$	26,228,952	

Net Assets:

Investment in capital assets	\$	11,593,026
Restricted		446,611,978
Total Net Assets	\$	458,205,004

Total Liabilities and Net Assets **\$ 484,433,956**

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 Comprehensive Annual Financial Report For the Year Ended June 30, 2016

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Budget and Finance Committee

September 28, 2016



First5LA.org

Presentation Overview

- Achievement
- Independent Auditor's Report
- Changes to the presentation of the Financial Statements
- FY 2015-16 Highlights
- Fund balance
- 3 Year comparisons
- Next Steps

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Achievement

- February 2016 – First 5 LA earns Certificate of Achievement for Excellence in Financial Reporting for FY 2014-15 from the Government Finance Officers Association (GFOA)
- Eight consecutive year for this award

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Audit Process Overview

- Audit process:
 - Fieldwork (3 weeks)
 - Reporting (2 weeks)
- Committee Meetings
 - Budget & Finance Committee
 - Program and Planning Committee
 - Executive Committee
- Board of Commissioners' approval
- Submission to the State Controller's Office and First 5 California

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Independent Auditor's Report

Clean Audit:

- The CPA firm of Vavrinek, Trine, Day & Co. noted that the financial statements are presented fairly
- No adjusting entries
- No findings or observations

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Changes to Presentation of Financial Report

- Presentation of “Other program revenue” was added to the revenue section of the Income Statement
- New GASB Statements – no effect on the financial statements of the Commission

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FY 2015-16 Highlights

Revenue:

- Total revenue of \$107.96 million,
 - \$87.94 million is for tobacco tax
 - \$5.80 million is for State Commission Program funds
 - \$9.00 million is for Partnership for Families
 - \$3.80 million is for investment income (.83% rate of return)

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FY 2015-16 Highlights Cont'd

Expenditures:

- Total expenditures of \$190.26 million:
 - Program expenditures = \$159.34 million or 83.75%
 - Operating expenditures = \$17.40 million or 9.15%
 - Pass-through expenditures = \$13.52 million or 7.11%

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FY 2015-16 Highlights Cont'd

- **Budget to Actual Expenditures:**

- Program expenditures = \$159.34 million or 80.69% of the revised program budget of \$197.46 million
- Operating expenditures = \$17.40 million or 83.68% of the operating budget of \$20.79 million
- Total expenditures of \$176.74 million or 80.98% of the total budget of \$218.25 million

* Pass-through dollars are not included within the budget. These expenditures are not reflected on this slide.

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FY 2015-16 Highlights Cont'd

Fund Balance:

- Fund Balance as of June 30, 2016 = \$460.07 million
 - Decrease of \$76.60 million or 14.27% from prior year

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Fund Balance Categories

As defined by the Fund Balance Policy:

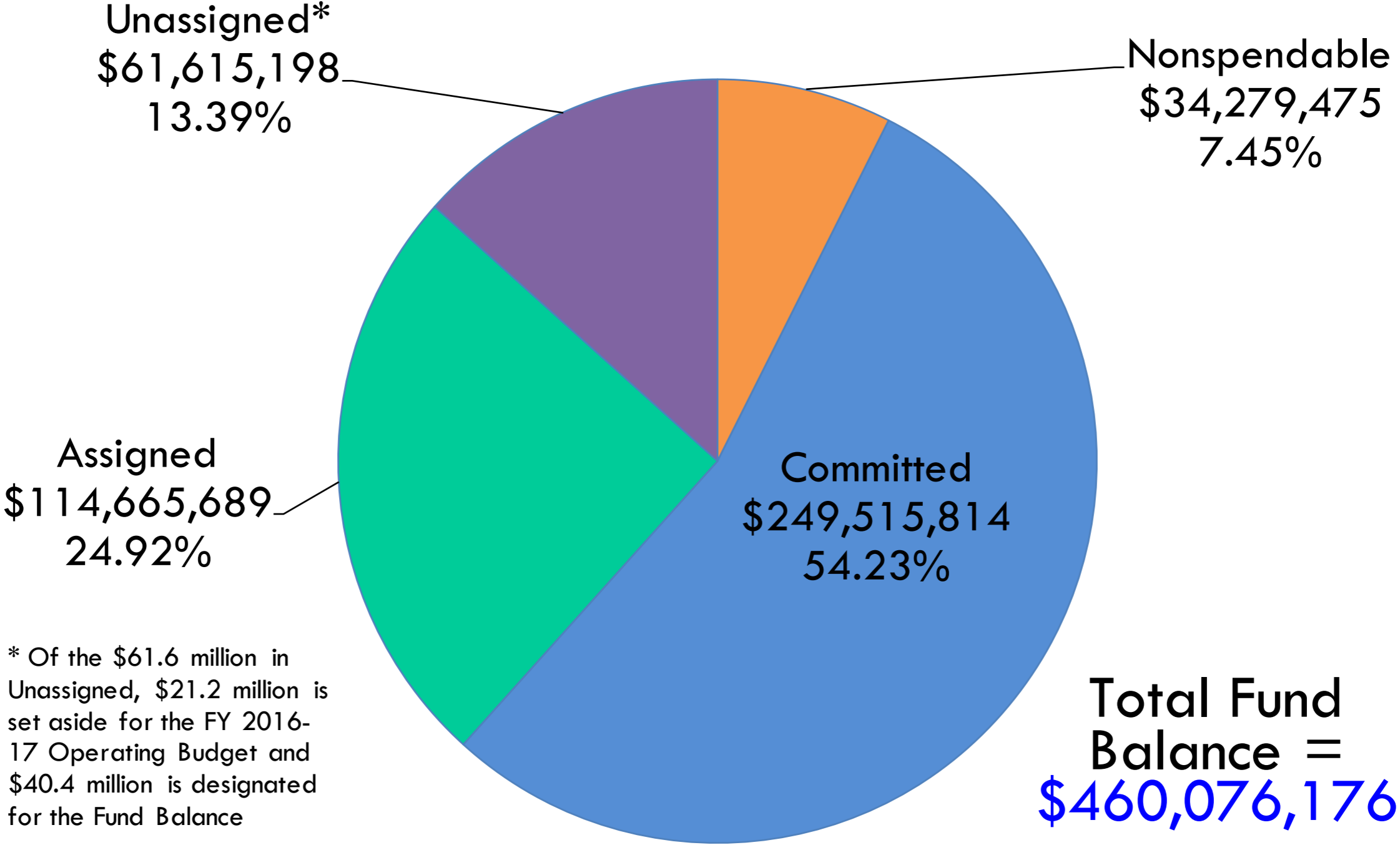
Nonspendable: Funds that have been advanced to a contractor or grantee for services to be provided in the future and are considered to be an asset of the Commission. ⁵⁷

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.

Assigned: Funds are reserved for Commission use consistent with the 2015-2020 Strategic Plan.

Unassigned: Funds designated for the Operating Budget and Reserve.

Fund Balance as of June 30, 2016

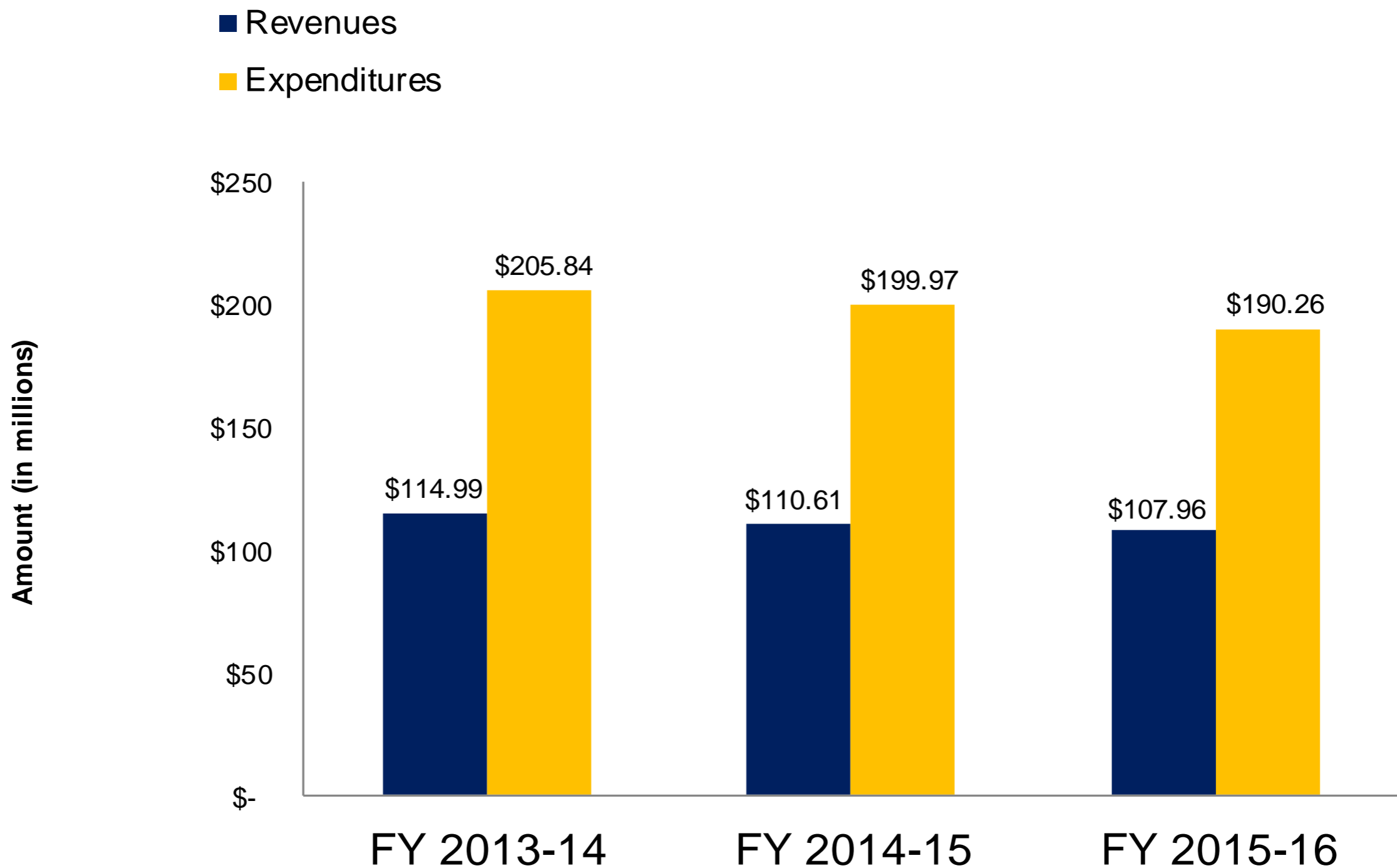


3 Year Comparison

- Revenues vs. Expenditures
- Fund Balance
- Program and Administrative Expenditures

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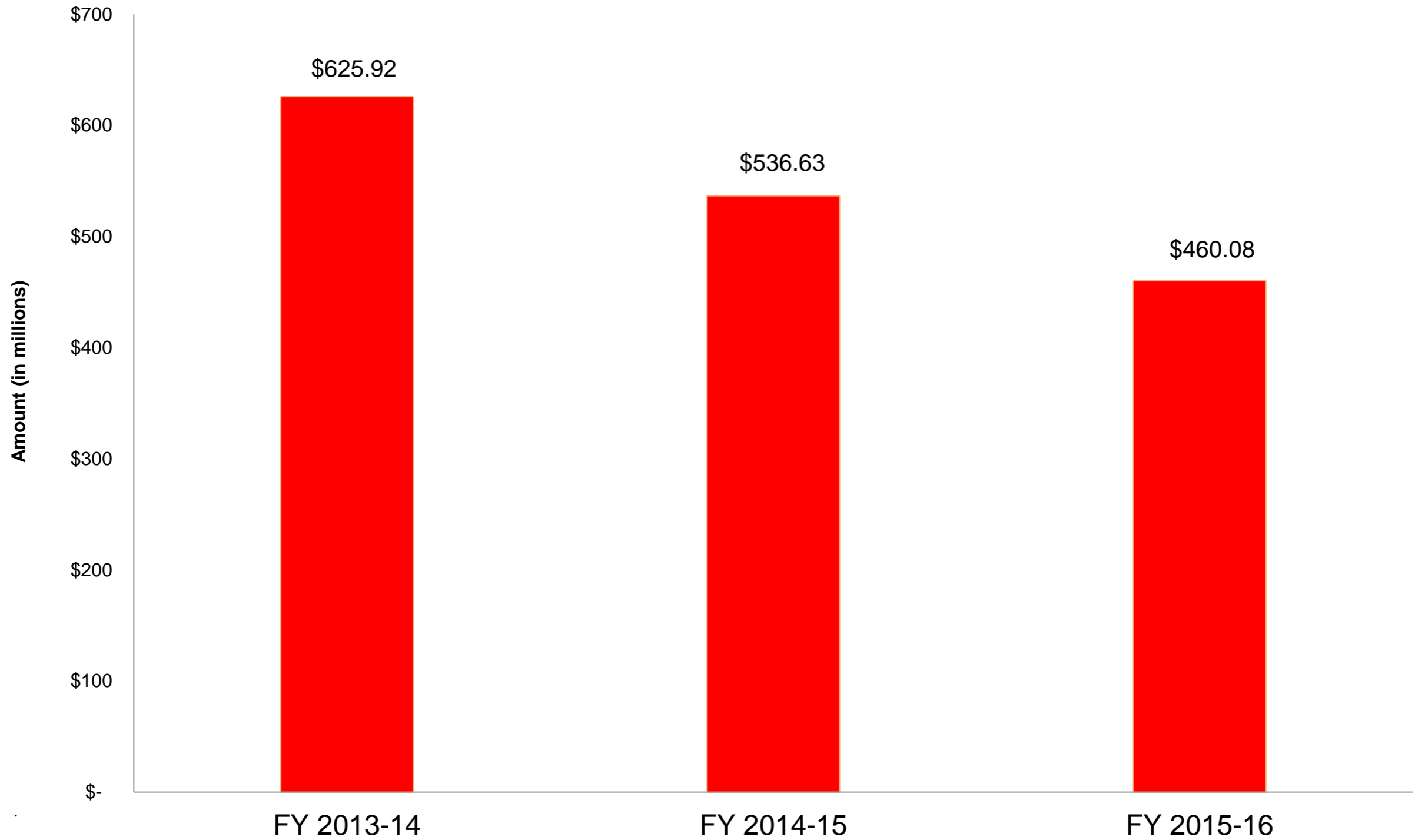
3 Year Comparison: Revenues vs. Expenditures



60

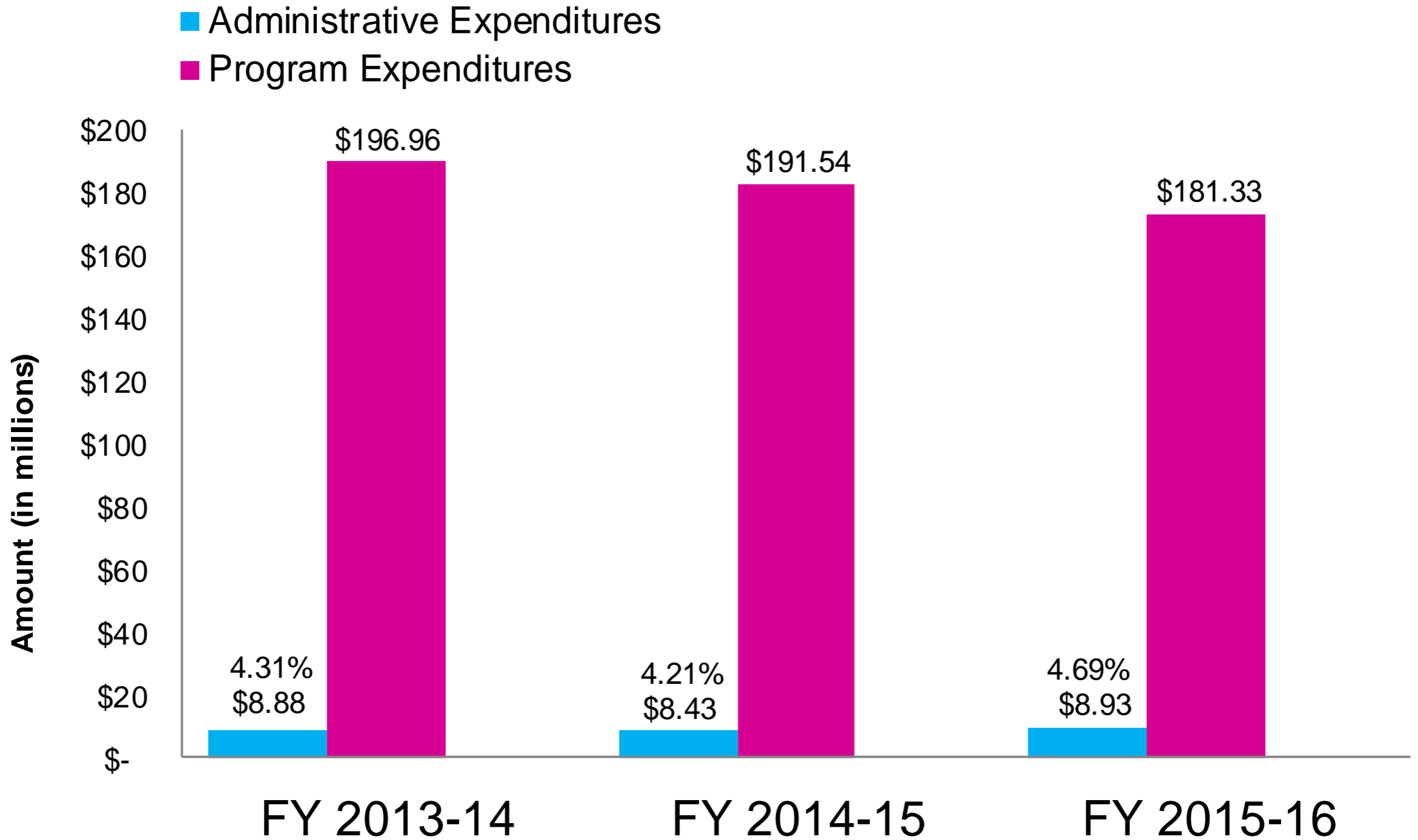
*Pass-through dollars are included in revenues and expenditures.

3-Year Comparison: Fund Balance



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3 Year Comparison: Program and Administrative Expenditures



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*Pass-through dollars are included in expenditures.

Next Steps

- Presentation to:
 - Program and Planning Committee
 - Executive Committee
 - Board of Commissioners (approval)
- Submission of the CAFR:
 - State Controller's Office
 - First 5 California
- Update the Long Term Financial Projection (LTFP)

Questions?



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**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, 2016



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**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, 2016

Raoul Ortega

Director of Finance

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**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FOR THE YEAR ENDED JUNE 30, 2016**

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October 13, 2016

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, 2016, 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, 2016. 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 sixteen years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocations of almost \$2.0 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 over 10.1 million in 2015. The most recent data for the County shows that per capita personal income increased to its highest level of \$49,400 in 2014, 3.8% above the 2013 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 6.7% in 2015. 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. The professional/business services and government sectors remain at third and fourth,

respectively, with the leisure and hospitality sector currently ranking as the fifth largest industry in the County.

A SHIFT IN APPROACH

First 5 LA just completed its first year of implementation for the 2015-2020 Strategic Plan which marked a shift in approach from mainly funding programs toward a focus on policy and systems change and finding ways to effectively partner with others to advance important work. This new strategic approach is based on First 5 LA's desire to redirect its resources to have the greatest impact on families and children 0-5 in Los Angeles County.

This new approach is an important distinction from previous years and signals a transition that will allow Commission resources to have a broader impact for children and families across the County. Consistent with the Commission-approved 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 all children in L.A. 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.

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LOOKING AHEAD

First 5 LA enters into the second 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 reflects a continued gradual transition, as spending continues for nearly two dozen ongoing initiatives that will soon either end or ramp down, while simultaneously accounting for commitments made by the Commission. The Commission will 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 Early Care and Education Systems and Health-Related Systems outcome areas of 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 Projection

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 2016 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.

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CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to First 5 LA for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the eighth consecutive year that First 5 LA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, First 5 LA must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 responsible and thoughtful fiscal stewardship of First 5 LA's financial operations.

Sincerely,

Kim Belshé
Executive Director

KB: ro

FIRST 5 LA

Commissioners

Sheila James Kuehl, Los Angeles County Supervisor, Chair
Judy Abdo, Vice Chair
Nancy Haruye Au
Jane Boeckmann
Duane Dennis
Cynthia A. Harding, M.P.H.
Christopher Thompson, M.D.
Joseph Ybarra Jr., Ph.D.
Marlene Zepeda, Ph.D.

Ex-Officio Commissioners

Philip L. Browning
Patricia Curry
Karla Pleitéz Howell
Deanne Tilton

Alternate Commissioners

William Arroyo, M.D.
Linda Aragon
Dayton Gilleland
Terry Ogawa
Sylvia S. Swilley, M.D.
Brandon Nichols

Executive Director

Kim Belshé

Chief Operating Officer

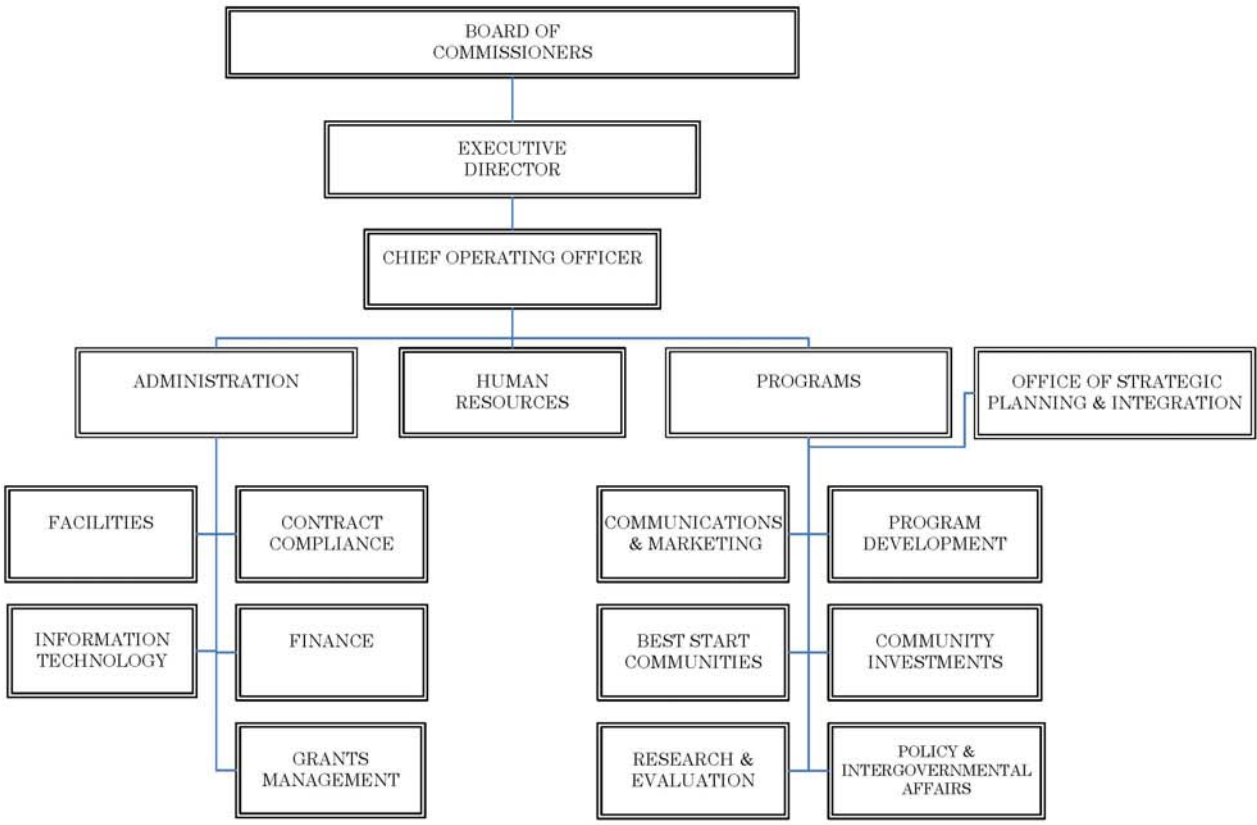
John A. Wagner

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
Stacy Lee, Office of Strategic Planning and Integration
Raoul Ortega, Finance
Jennifer L. Pippard, Community Investments
Gabriel Sanchez, Communications and Marketing



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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, 2015

Executive Director/CEO

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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, 2016, 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, 2016, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 29 through 31 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 used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of CARES Plus funding is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October ____, 2016 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
October ____, 2016

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

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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, 2016. 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 \$93.7 million in revenues from First 5 California (the State), reflecting a 6.03% decrease of \$6.1 million from \$99.8 million in FY 2014-15. Total program revenues for FY 2015-16 in the amount of \$103.0 million 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 \$190.3 million in FY 2015-16, representing a 4.86% decrease of \$9.7 million from \$200.0 million in FY 2014-15.
- The Commission’s liabilities decreased from \$41.2 million in FY 2014-15 to \$34.7 million in FY 2015-16, reflecting a total decrease of approximately \$6.6 million, or 15.93%.
- The Commission’s total net position decreased from \$555.4 million in FY 2014-15 to \$473.1 million in FY 2015-16, a decline of approximately \$82.3 million, or 14.82%.

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.

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 2015-16 with FY 2014-15:

	FY 2015-16	FY 2014-15	Percent Increase (Decrease)	Increase (Decrease)
Assets:				
Current and other assets	\$496,180,753	\$584,759,224	(15.15 %)	(\$88,578,471)
Capital assets	11,593,026	11,885,041	(2.46)	(292,015)
Total assets	\$507,773,779	\$596,644,265	(14.90 %)	(\$88,870,486)
Liabilities:				
Long-term liabilities	\$552,741	\$577,909	(4.36 %)	(\$25,168)
Other liabilities	34,115,242	40,659,573	(16.10)	(6,544,331)
Total liabilities	\$34,667,983	\$41,237,482	(15.93 %)	(\$6,569,499)
Net Position:				
Unrestricted	\$461,512,770	\$543,521,742	(15.09 %)	(\$82,008,972)
Net investment in capital assets	11,593,026	11,885,041	(2.46)	(292,015)
Total net position	\$473,105,796	\$555,406,783	(14.82 %)	(\$82,300,987)
Total liabilities and net position	\$507,773,779	\$596,644,265	(14.90 %)	(\$88,870,486)

The Commission's total assets of \$507.8 million represent a decrease of \$88.9 million, or a 14.90% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately \$88.6 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 \$82.3 million.

The \$292,015 decrease in capital assets resulted from continued depreciation of the Commission's assets. The depreciation expense for FY 2015-16 was \$316,567. Additional information on capital assets can be found in Note 3 of this report.

Other liabilities in FY 2015-16 decreased by 16.10% over the prior year and are primarily due to a reduction in expenses which resulted in a decrease to Accounts Payable in the current year compared to the prior year in the amount of \$6.54 million.

The following is a summary of the Commission's revenues, expenses and change in net position comparing FY 2015-16 with FY 2014-15:

	FY 2015-16	FY 2014-15	Percent Increase (Decrease)	Increase (Decrease)
Revenues:				
Program revenues				
Tobacco taxes	\$87,942,700	\$89,475,135	(1.71 %)	(\$1,532,435)
Other state commission program funds	5,796,252	10,283,414	(43.63)	(4,487,162)
Medi-cal administrative activities	159,549	80,799	97.46	78,750
Partnership for families funds	9,001,152	4,615,313	95.03	4,385,839
Other program revenue	115,000	-	N/A	115,000
Total program revenues	\$103,014,653	\$104,454,661	(1.38 %)	(\$1,440,008)
General revenues				
Investment income	\$3,759,751	\$3,903,275	(3.68 %)	(\$143,524)
Net Increase (decrease) in fmv of investments	1,064,007	2,152,879	(50.58)	(1,088,872)
Other general income	119,100	104,072	14.44	15,028
Total general revenues	4,942,858	6,160,226	(19.76 %)	(1,217,368)
Total revenues	\$107,957,511	\$110,614,887	(2.40 %)	(\$2,657,376)
Expenses:				
Provider grants and other allocations	\$159,337,913	\$168,766,806	(5.59 %)	(\$9,428,893)
Pass-through grants	\$13,519,735	\$14,225,131	(4.96)	(705,396)
Salaries and benefits	14,357,480	13,423,832	6.96	933,648
Operating services	1,157,290	1,346,532	(14.05)	(189,242)
Consultant services	990,724	1,216,609	(18.57)	(225,885)
Professional services	323,336	404,560	(20.08)	(81,224)
Other expenses	255,453	264,892	(3.56)	(9,439)
Depreciation	316,567	322,346	(1.79)	(5,779)
Total expenses	\$190,258,498	\$199,970,708	(4.86%)	(\$9,712,210)
Change in net position:	(82,300,987)	(89,355,821)	7.90%	7,054,834
Net position – beginning	555,406,783	644,762,604	(13.86 %)	(89,355,821)
Net position – ending	\$473,105,796	\$555,406,783	(14.82 %)	(\$82,300,987)

Revenues

The Commission received a total of \$108.0 million in revenues for FY 2015-16, reflecting a decrease of \$2.7 million, or 2.40% compared with the prior year's total revenues of \$110.6 million. The overall changes in revenue are due to the following.

Tobacco Tax

Tobacco tax revenue decreased from \$89.5 million in FY 2014-15 to \$87.9 million in FY 2015-16, a reduction of \$1.5 million, or 1.71%. This decrease is primarily due to declining sales of tobacco products, the decline in birth in Los Angeles County 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 \$10.3 million in FY 2014-15 to \$5.8 million in FY 2015-16, a reduction of \$4.5 million, or 43.63%. In FY 2015-16, the Commission recorded \$358,134 in IMPACT funds, \$5.0 million in Child Signature Program (CSP), \$399,423 in CARES Plus funds, and \$41,850 from First 5 California Surplus Money Investment Fund (SMIF). The decrease compared to prior year is primarily related to recording \$4.9 million less in CSP funds in FY 2015-16.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities (MAA) program increased from \$80,799 in FY 2014-15 to \$159,549 in FY 2015-16. 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. This increase is related to the timing of when First 5 LA received reimbursement from the State for Quarter 1 FY 2013-14 activity reported in FY 2014-15. It is important to note that MAA reimbursements are based on activities that are reimbursed from 18 months prior to billing.

Partnership for Families Funds

The Commission recorded \$9.0 million in revenue under the 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 Program Revenue

The Commission recorded \$115,000 in revenue under the contract agreement with the Center for the Study of Social Policy (CSSP). First 5 LA partnered with CSSP to launch Project Developmental Understanding and Legal Collaboration for Everyone (Project DULCE) in Los Angeles County. Project DULCE is a clinical intervention based on the Strengthening Families approach, which puts parent engagement as a foundation, and is designed to address infant/family risks and needs at the earliest possible stage and partner with families to build strengths and capacities that foster optimal child health and development starting at birth.

Investment Income

The Commission earned \$3.8 million of investment income in FY 2015-16, which was a decrease of roughly \$143,524, or approximately 3.68%, compared with the \$3.9 million earned in the prior year. Though the overall rate of return increased from the prior year, the overall decrease is attributed to declining idle cash balance available for investments.

Fair Market Value Market Adjustment

First 5 LA separated the Fair Market Value adjustment under investment income from the Statement of Activities to more accurately reflect true interest earned. In FY 2015-16, the Fair Market Value adjustment is \$1.1 million, compared to \$2.2 million in FY 2014-15.

Other Revenues

The Commission generated other revenue primarily through a lease agreement it has with La Petite Academy. This revenue increased by \$15,028 from \$104,072 in FY 2014-15 to \$119,100 in FY 2015-16.

Expenses

The Commission expended approximately \$190.3 million in FY 2015-16 compared with \$200.0 million in FY 2014-15, a decrease of \$9.7 million, or 4.86%. The \$9.7 million net decrease in overall expenditures encompasses the following from FY 2015-16.

Provider Grants and Other Allocations

The Commission experienced a decrease of \$9.4 million, or 5.59%, expending approximately \$159.3 million in FY 2015-16 compared to \$168.8 million in FY 2014-15 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 2015-16. The following details activity based on the Commission’s investment categories, reorganized per the new Strategic Plan, during the fiscal year:

- 2015-2020 Strategic Plan: Focusing for the Future: FY 2015-16 marks the first year to align with the new five-year Strategic Plan, represented in three components of implementation activity. Due to program implementation delays, roughly \$45.8 million of this was expended in FY 2015-16, with 84% of expenditures being within the existing areas of Welcome Baby, Select Home Visiting and the capacity building investments in the Commission’s 14 Best Start Communities.
- Legacy Investments: This category includes existing multi-year programs scheduled to conclude or be realigned with the 2015-2020 Strategic Plan during the new Strategic Plan term. FY 2015-16 reflected a \$12.3 million reduction in programs that expired in FY 2014-15, including \$5.3 million for the Partnership for Families investment, which continued on as a “pass through grant,” by way of the Department of Children and Family Services. There were also significant decreases in funding for several other programs identified within Legacy Investments.
- Research and Evaluation: This includes current and past investments that align and contribute to the 2015-2020 Strategic Plan and the commitment to learning. FY 2015-16 reflects the first year in the transition to the new Monitoring, Evaluation, and Learning (MEL) framework which intends to provide the structure for organizing First 5 LA’s Research and Evaluation activities. The reduction in FY 2015-16 costs is indicative of the realignment of funds among the Data Development and Integration and Program Evaluation initiatives, as well as the expiration of two initiatives, Research Partnerships and Results Dissemination, compared to FY 2014-15. Total expenditures in FY 2015-16 amounted to approximately \$6.6 million, about \$1.9 million less than the \$8.5 million incurred in FY 2014-15.

Pass-through Grants

For FY 2015-16, \$13.5 million was recorded as “pass through grants” compared to \$14.2 million in FY 2014-15, a reduction of \$705,396 or 4.96%. Of the \$13.5 million, \$4.9 million was for the First 5 California Child Signature Program (CSP), \$8.5 million for the Los Angeles County Department of Children and Family Services Partnership for Families (LAC-PFF) program and \$99,392 for Medi-Cal Administrative Activities.

Salaries and Benefits

Salaries and Benefits increased from FY 2014-15 by \$933,648 or 6.96%. This is due to an increase in the number of authorized positions, fewer vacant positions than in FY 2014-15, a 10% increase to the Health benefits, as well as an ongoing increase in salary costs attributed to the implementation of the compensation philosophy by the Commission in November 2014.

Operating Services

Compared to the prior year, there was a 14.05% decrease in costs related to general operating services, a result of the underutilization of general operating costs throughout the organization such as Mileage and Parking, Mobile devices, Postage, Printing, Subscriptions and Publications, and Office Supplies. Additionally, although it was included in the budget, the FY 2015-16 Worker's Compensation Insurance fee was paid in advance at the end of FY 2014-15 which lead to an unforeseen cost in FY 2014-15 and a decrease in FY 2015-16.

Consultant Services

Consultant services decreased by \$225,885 or 18.57% compared with FY 2014-15. This variance is largely due to an overestimation of resources, delayed project/activity implementation (FE, SharePoint, R&E MEL framework), and services/supports that were identified to no longer be required in FY 2015-16. Furthermore, approximately \$170,000 in costs incurred in FY 2014-15 associated with the Executive Coaching and the Compensation and Benefits study did not continue into FY 2015-16.

Professional Services

Professional services decreased from FY 2014-15 by \$81,224 or 20.08%. Professional Development budgeted services were underutilized in FY 2015-16 by all departments save for Public Affairs (now Communications & Marketing), and Research and Evaluation (R&E). There were also fewer costs related to legal fees, membership dues, and Commission stipends, as well as to the fact that First 5 LA prepaid dues for the FY 2015-16 First 5 Association annual membership in FY 2014-15.

Analysis of the Governmental Fund Statements

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

As of the end of FY 2015-16, the Commission's general fund reported a total ending fund balance of \$460 million, a decrease of \$76.6 million (14.27%) in comparison with the prior fiscal year balance of \$537 million.

Total fund balance decreased due to an ongoing disparity between annual incoming revenue and the expenses that are required to advance the activities and strategies outlined in the 2015-2020 Strategic Plan, including the ongoing responsibility to multi-year commitments for specific initiatives.

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 \$87.9 million was approximately 8.73% higher than the anticipated amount of \$80.9 million. The original estimate was based on data from the State Board of Equalization dated June 2, 2015. On June 27, 2016, updated State projections estimated \$88.4 million in revenue for FY 2015-16, roughly \$497,118 or .56% above actual.

State Commission Program Funds

State Commission Program Funds in the amount of \$10.4 million were recorded in FY 2015-16 for IMPACT funds, Child Signature Program, CARES Plus and from the First 5 California Surplus Money Investment Fund (SMIF).

Investment Income

Investment income of \$3.8 million was earned in FY 2015-16. The monthly average return of 0.83% is higher than the 0.75% anticipated and included in the Long Term Financial Projection approved by the Commission in February 2016.

Original Expenditure Budget vs. Final Expenditure Budget

In March 2016 the Commission approved an overall reduction of \$11.5 million or 5.0% from the original approved \$229.7 million FY 2015-16 Budget, the following provides a brief summary of the primary factors that contributed to the decrease 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 \$11.5 million, or 5.50%. In April 2016 the Commission approved this mid-year budget revision reducing the Families: Welcome Baby/Select Home Visiting investment by \$5.6 million, the Communities: Community Capacity Building investments by \$893,000, Legacy Investments by \$5.1 million and Research & Evaluation projects by roughly \$334,000. The overall reduction is driven by a couple factors, including the termination of an existing Select Home Visiting contract and a Welcome Baby hospital contract that did not come to fruition as anticipated. In addition, slower than expected ramp up, actual contracts being executed for lower than the initial budget estimates and underutilization within some of the direct service programs influenced the overall reduction within this category.

General Operating Expenditures

Funds were adjusted downward by \$55,600 at mid-year. This decrease of 3.50% includes a number of transfers both in and out and is primarily due to a net reduction in Telephones and Modems costs of \$19,200 and a reduction in costs related to Hardware and Software Maintenance of \$30,000. The reduction in costs for telephones and modems is due to a new contract executed with the provider that reduced cost by approximately thirty percent.

Consultant Services

Funds were adjusted upward at mid-year, resulting in a net increase of \$44,955 or 2.59%. This is driven primarily by additional funds needed under Other Professional Fees related to provisions of evening security for the building that were not anticipated during the initial budget development in FY 2015-16.

Travel and Meeting

Funds were adjusted upward at mid-year by \$14,250 to reflect revised projections based on expenditures through January 2015.

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 2015-16 is \$38.1 million. The FY 2015-16 budget to actual variance is a result of new program designs and the overestimation of resources required to execute the programs. Additional contributing factors impacting the underutilization of Provider Grants and Other are as followed; prolonged program planning and development, delays in contract/vendor negotiations and initiatives ramping down or ending (even while some initiatives began to experience a ramp up of activities during initiatives ramping down or ending). Of that variance, the Legacy Investments represent \$21.2 million, or 55.5%, 2015-2020 Strategic Plan Investments represent \$16.2 million, or 42.5%, and Research & Evaluation Projects represents \$774,752, or 2.03%.

Pass-through Grants

The total expenditures related to pass-through grants were \$13.5 million for FY 2015-16. 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 to accurately represent expenditures of Commission funded provider grants and other allocations.

Salaries and Benefits

Salary and benefit costs were lower than budgeted, with a variance of \$2.0 million. This is due to a combination of regular employee turnover and vacant positions, as well as a conservative budgeting approach. Specifically, for FY 2015-16 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 lower than budgeted, because costs for FY 2015-16 premiums were paid in FY 2014-15. In addition, a return premium from the insurance policy was received in September 2016, resulting in a negative expenditure figure for the fiscal year.

Telephones & Modems

FY 2015-16 expenditures in this area were wholly offset by a refund received during the year from the long-distance telephone company that actually exceeded costs for the fiscal year, resulting in a negative expenditure figure.

Equipment Repairs and Maintenance

Equipment Repairs and Maintenance were lower than budgeted, with a variance of \$24,124, or 89%. This is due to fewer repairs and maintenance needs than originally anticipated for FY 2015-16.

Hardware and Software Maintenance

Hardware and Software Maintenance costs were higher than budgeted, with a variance of \$58,216, or 26%. This was due to a large number of annual maintenance service costs for FY 2016-17 that were paid in June 2016.

Professional Dues – First 5 Association

Costs related to annual dues for the First 5 Association were lower than budgeted because dues for the FY 2015-16 annual First 5 Association membership were actually paid in FY 2014-15.

Professional Development

Professional Development costs were lower than budgeted, with a variance of \$146,622, or 72%. This is primarily due to the organization's efforts to establish a comprehensive professional development approach, which resulted in some intended expenses temporarily being placed on hold.

Staff Recruitment

Costs for Staff Recruitment were higher than budgeted, with a variance of \$115, or less than 1%. This is due to slightly higher costs for executive recruitment than originally anticipated.

Program Events

Costs for Program Events were lower than budgeted, with a variance of \$36,238, or 91%, because anticipated policy and advocacy events did not take place as originally expected.

Consultant Services

The budget to actual variance of \$787,731, or 44%, is primarily due to an overestimation of resources coupled with delayed project implementation, including Financial Edge NXT, SharePoint reengineering, and the Monitoring, Evaluation and Learning (MEL) framework.

The final budget for Operations remained the same at \$20.8 million for FY 2015-16, while the Program Budget was decreased by \$11.5 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 2.20% through FY 2016-17 based on the Department of Finance projections published June 27, 2016. In addition, the passage of SBx2-7 by Senator Ed Hernandez (D-West Covina) raises the tobacco purchasing age from 18 to 21. Though the true impacts of this law are unknown, the state's Legislative Analyst's Office (LAO) assumes the reduction in tobacco consumption will reduce Proposition 10 revenues by up to \$24 million per year. The initial projections from both the Department of Finance and the Board of Equalization indicates an additional reduction of prop 10 tobacco tax revenue for Los Angeles County ranging from 2.33% up to 5.33%.

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) 482-7545 or 750 N. Alameda Street Suite 300, Los Angeles, California 90012.

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**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2016**

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Position</u>
Assets			
Cash	\$ 8,027,828	\$ -	\$ 8,027,828
Investments	432,469,922	-	432,469,922
State receivable	20,987,269	-	20,987,269
Investment income receivable	416,259	-	416,259
Advances to grantees	34,279,475	-	34,279,475
Capital assets:			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	9,554,026	9,554,026
Total assets	<u>\$ 496,180,753</u>	<u>\$ 11,593,026</u>	<u>\$ 507,773,779</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 34,098,762	\$ -	\$ 34,098,762
Other liabilities	-	16,480	16,480
Compensated absences:			
Due within one year	-	78,963	78,963
Due in more than one year	-	473,778	473,778
Total liabilities	<u>34,098,762</u>	<u>569,221</u>	<u>34,667,983</u>
Deferred Inflows of Resources			
Unavailable revenue - State Commission Program Funds	1,937,484	(1,937,484)	-
Unavailable revenue - Other	68,331	(68,331)	-
Total deferred inflows of resources	<u>2,005,815</u>	<u>(2,005,815)</u>	<u>-</u>
Fund balance/net position			
Fund balance:			
Nonspendable	34,279,475	(34,279,475)	-
Committed	249,515,814	(249,515,814)	-
Assigned	114,665,689	(114,665,689)	-
Unassigned	61,615,198	(61,615,198)	-
Total fund balance	<u>460,076,176</u>	<u>(460,076,176)</u>	<u>-</u>
Net position:			
Net investment in capital assets	-	11,593,026	11,593,026
Unrestricted	-	461,512,770	461,512,770
Total net position	<u>-</u>	<u>473,105,796</u>	<u>473,105,796</u>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 496,180,753</u>	<u>\$ 11,593,026</u>	<u>\$ 507,773,779</u>

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, 2016**

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	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions:			
Tobacco taxes	\$ 87,942,700	\$ -	\$ 87,942,700
State Commission Program Funds	10,433,575	(4,637,323)	5,796,252
Medi-Cal Administrative Activities	159,549	-	159,549
Partnership for Families Funds	9,914,472	(913,320)	9,001,152
Other program revenue	115,000	-	115,000
Total program revenues	108,565,296	(5,550,643)	103,014,653
General revenues			
Investment income	3,759,751	-	3,759,751
Net increase in FMV of investments	1,064,007	-	1,064,007
Other general income	50,769	68,331	119,100
Total general revenues	4,874,527	68,331	4,942,858
Total revenues	113,439,823	(5,482,312)	107,957,511
Expenditures/expenses			
Provider grants and other allocations	159,337,913	-	159,337,913
Pass-through grants	13,519,735	-	13,519,735
Salaries and benefits	14,382,648	(25,168)	14,357,480
Operating services	1,157,290	-	1,157,290
Consultant services	990,724	-	990,724
Professional services	323,336	-	323,336
Other expenses	255,453	-	255,453
Capital outlay	24,552	(24,552)	-
Depreciation	-	316,567	316,567
Total expenditures/expenses	189,991,651	266,847	190,258,498
Excess/(deficiency) of revenues over/(under) expenditures	(76,551,828)	-	-
Change in Fund Balance	(76,551,828)	76,551,828	-
Change in Net Position	-	(82,300,987)	(82,300,987)
Fund balance/net position			
Beginning of year	536,628,004	18,778,779	555,406,783
End of year	\$ 460,076,176	\$ 13,029,620	\$ 473,105,796

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, 2016**

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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, 2016**

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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, 2016, the Commission reported unrestricted net position of \$461,512,770.

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 resources. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 60 days after year-end. Revenues susceptible to accrual include tax revenues, 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 \$11,593,026 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 \$24,552 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, 2016 amounted to \$316,567 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, 2016**

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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, 2016, the Commission estimated its liability for vested compensated absences to be \$552,741. 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 \$25,168 is reported in the statement of activities and does not require the use of current financial resources.

For the year ended June 30, 2016, the Commission maintained a security deposit in the amount of \$16,480 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, 2016, the Commission has unavailable revenue of \$2,005,815. The change in unavailable revenue during the year of \$5,482,312 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

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission established the following classifications and definitions of fund balance for the year ended June 30, 2016:

- a. Nonspendable
Portion of net resources that cannot be spent because they are not in an expendable form (e.g. Advances to Grantees) 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, 2016**

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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, 2016, 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. It also includes the negative residual fund balance that cannot be eliminated by offsetting assigned fund balance amounts.

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.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective This Fiscal Year

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 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 implemented this statement effective July 1, 2015.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 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 in two phases for periods beginning after June 15, 2015 and June 15, 2016. The Commission has determined that the requirements of this statement effective in the current year do not have a material impact on the financial statements. The Commission has not determined the effect on the financial statements for the requirements effective in fiscal year 2017.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement is effective for periods beginning after June 15, 2015. The Commission implemented this statement effective July 1, 2015. The Commission has determined that this statement does not have a material impact on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measurement of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015. 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, 2016**

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

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

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 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. 77 – In August 2015, GASB issued Statement No. 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.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015. The Commission has not determined the effect on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016. The Commission has not determined the effect of the statement.

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**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016. The Commission has not determined the effect of the statement.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 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*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016. The Commission has not determined the effect of the statement.

Investments

The Commission participates in the common investment pool of Los Angeles County. Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission does not have any investments that are measured using Level 3 inputs. The Los Angeles County Treasurer is responsible for establishing and consistently applying a policy for identifying those events that might affect fair value measurements.

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**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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, 2016. 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.

Advances to Grantees:

Los Angeles Universal Preschool	\$ 25,320,585
Los Angeles Health Care Plan	8,254,590
University of California - Los Angeles Dental Home Project	704,300
Total Advances to Grantees	<u>\$ 34,279,475</u>

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. Donated capital assets are recorded at acquisition value at the date of donation. The Commission capitalizes assets with a cost in excess of \$5,000 and 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.

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.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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NOTE 2 – CASH AND INVESTMENTS

Total cash and investments at fair value, as of June 30, 2016 are as follows:

Cash:	
Cash on hand	\$ 150
Cash in bank	8,027,678
Total Cash	<u>8,027,828</u>
Investments with County Treasurer:	
Pooled cash and investments	432,469,922
Total investments with County Treasurer	<u>432,469,922</u>
Total Cash and Investments	<u><u>\$ 440,497,750</u></u>

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% 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% of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2016, cash held by financial institutions of \$8,425,312 was entirely insured and collateralized as described above. The book balance at June 30, 2016 was \$8,027,678.

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2016 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. As of June 30, 2016, the Commission's percentage of participation is 1.64. 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, 2016, the weighted average maturity for the County pool approximated 608 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.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the Commission held no individual investments. All funds are invested in the Los Angeles County Investment Pool.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

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

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the Commission’s proportionate share of investments in the Los Angeles County Investment Pool at June 30, 2016 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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 a 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, 2016**

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NOTE 3 – CAPITAL ASSETS

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
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	1,755,170	24,552	-	1,779,722
Office equipment	331,035	-	-	331,035
Furniture and fixtures	627,670	-	-	627,670
Total Depreciable Capital Assets	<u>14,790,387</u>	<u>24,552</u>	<u>-</u>	<u>14,814,939</u>
Less accumulated depreciation:				
Building and improvements	(2,435,216)	(242,680)	-	(2,677,896)
Computer software and accessories	(1,614,776)	(43,353)	-	(1,658,129)
Office equipment	(266,685)	(30,534)	-	(297,219)
Furniture and fixtures	(627,669)	-	-	(627,669)
Total Accumulated Depreciation	<u>(4,944,346)</u>	<u>(316,567)</u>	<u>-</u>	<u>(5,260,913)</u>
Total Capital Assets, Depreciable (Net)	<u>9,846,041</u>	<u>-</u>	<u>-</u>	<u>9,554,026</u>
Capital Assets, Net	<u>\$ 11,885,041</u>	<u>\$ (292,015)</u>	<u>\$ -</u>	<u>\$ 11,593,026</u>

NOTE 4 – CHANGES IN COMPENSATED ABSENCES

Compensated absences liability activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
Compensated absences	<u>\$ 577,909</u>	<u>\$ 623,361</u>	<u>\$ (648,529)</u>	<u>\$ 552,741</u>	<u>\$ 78,963</u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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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, 2016 consists of the following:

INITIATIVE/PROGRAM ALLOCATION	NONSPENDABLE
Advances:	
LA Care Health Plan	\$ 8,254,590
LAUP	25,320,585
UCLA Dental Home Project	704,300
TOTAL	\$ 34,279,475
	COMMITTED
At-Risk Fathers Investment	\$ 598,500
Baby Friendly Hospitals/Family Place Libraries	24,133,679
Black Infant Health	5,714,561
Children's Dental Care	20,342,895
Children's Vision Care	1,582,789
Communications & Marketing	5,345,000
Communications - Conference Funding	300,000
Communities	18,883,000
Data Development & Integration	861,000
Data Partnership with Funders	2,353,121
Early Care & Education Systems	24,199,000
Early Identification & Intervention - Autism & Other Developmental Delays	701,073
Families	38,081,000
Healthy Food Access	1,764,514
Health Related Systems	2,421,000
Information Resource and Referral	1,260,000
LAUP	12,233,753
Little by Little/One Step Ahead	21,412,981
Parent-Child Interaction Therapy	12,529,944
Reducing Childhood Obesity	6,034,967
Policy Advocacy Fund	1,263,000
Policy Agenda/Advocacy	2,442,000
Program Evaluation	4,707,000
Resource Mobilization - ECE	800,000
Resource Mobilization - Funder Partnerships	75,000
Resource Mobilization - Health	326,000
Resource Mobilization - Organizational Capacity Building	125,000
Resource Mobilization - Project Development	250,000
Universal Assessment of Newborns	34,783,040
Workforce Development	555,000
Workforce Development - ECE Workforce Consortium	3,436,997
TOTAL	\$ 249,515,814

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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NOTE 5 – FUND BALANCE (Continued)

		ASSIGNED
Strategic Plan	\$	114,665,689
TOTAL	\$	114,665,689
UNASSIGNED		
Unassigned	\$	61,615,198
TOTAL	\$	61,615,198
Total Fund Balance	\$	460,076,176

The minimum fund balance reserve of \$40,380,040 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 \$6,413,876 on program evaluation during the year ended June 30, 2016.

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. The plan can be amended by executive management of the Commission.

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% for 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 \$704,691 which comprised of \$286,038 in elective contribution and \$418,653 in non-elective contribution for the fiscal year ended June 30, 2016.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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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 funds not received within the 60-day period of availability were as follows:

Unavailable Revenue:	
Child Signature Program	\$ 1,368,755
CARES Plus Program	323,756
IMPACT Program	244,973
Other	68,331
Total Unavailable Revenue	\$ 2,005,815

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
2017	\$ 58,744
2018	18,522
2019	18,522
2020	1,544
Total	\$ 97,332

The Commission recognized \$91,206 in lease expense for the year ended June 30, 2016.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

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 \$61,343 for County of Los Angeles services provided during the year ended June 30, 2016.

The Commission paid \$139,141,543 of provider grants, operating services, consultant services, and professional services to organizations which are represented by 10 members of the Board of Commissioners.

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 \$399,423 in CARES Plus Phase II reimbursable expenses for the period ended June 30, 2016. 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 \$4,996,844 in Child Signature Program reimbursable expenses for the period ended June 30, 2016.

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, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tobacco taxes	\$ 80,883,996	\$ 80,883,996	\$ 87,942,700	\$ 7,058,704
State Commission Program Funds	-	-	10,433,575	10,433,575
Medi-Cal Administrative Activities	-	-	159,549	159,549
Partnership for Families Funds	-	-	9,914,472	9,914,472
Other program revenue	-	-	115,000	115,000
Investment income	3,539,485	3,539,485	3,759,751	220,266
Net increase (decrease) in FMV of investments	-	-	1,064,007	1,064,007
Other general income	154,253	154,253	50,769	(103,484)
Total revenues	<u>84,577,734</u>	<u>84,577,734</u>	<u>113,439,823</u>	<u>28,862,089</u>
Expenditures				
Program Costs				
Provider grants and other allocations	208,922,000	197,460,000	159,337,913	38,122,087
Pass-through grants	-	-	13,519,735	(13,519,735)
Total Program Costs	<u>208,922,000</u>	<u>197,460,000</u>	<u>172,857,648</u>	<u>24,602,352</u>
Operations & Administration				
Personnel related expenditures				
Salaries and wages	12,387,038	12,387,038	11,184,136	1,202,902
Fringe Benefits	3,980,943	3,980,943	3,198,512	782,431
Total Personnel Related Expenditures	<u>16,367,981</u>	<u>16,367,981</u>	<u>14,382,648</u>	<u>1,985,333</u>
General Operating Expenditures				
ADP Payroll Charges	31,000	31,000	30,842	158
Workers' Compensation Insurance	100,000	100,000	(6,690)	106,690
Utilities	155,000	165,000	148,221	16,779
Corporate Insurance	76,000	76,000	67,775	8,225
Mileage and Parking	61,850	65,850	53,729	12,121
Telephones and Modems	65,000	45,800	(4,227)	50,027
Cell Phones and Mobile Devices	52,250	43,350	37,658	5,692
Outside Printing	19,200	21,700	15,991	5,709
Other Supplies	12,150	12,150	8,270	3,880
Postage and Delivery	13,300	13,500	12,295	1,205
Educational Supplies	5,300	5,300	902	4,398
Office Supplies	83,980	79,780	71,251	8,529
Subscriptions and Publications	10,060	9,860	5,368	4,492
Equipment Rental	118,200	118,200	99,838	18,362
Building Repairs and Maintenance	180,000	180,000	179,056	944
Equipment Repairs and Maintenance	32,000	27,000	2,876	24,124
Offsite Storage	23,700	23,700	15,463	8,237
Hardware and Software Maintenance	258,000	228,000	286,216	(58,216)
Miscellaneous Service Charges	27,000	27,000	17,567	9,433
Miscellaneous/Contingency	75,000	70,200	53,175	17,025
Capital Outlay	120,000	120,000	13,464	106,536
Human Resources Related Costs	68,000	68,000	48,250	19,750
Total General Operating Expenditures	<u>1,586,990</u>	<u>1,531,390</u>	<u>1,157,290</u>	<u>374,100</u>
Professional Services				
Audit	70,000	70,000	65,675	4,325
Legal	175,000	175,000	116,614	58,386
Professional Dues	82,100	86,350	37,709	48,641
Professional Dues - First 5 Association	50,000	50,000	-	50,000
Professional Development	210,800	202,945	56,323	146,622
Staff Recruitment	25,000	25,000	25,115	(115)
Commission Stipends	34,000	34,000	21,900	12,100
Total Professional Services	<u>646,900</u>	<u>643,295</u>	<u>323,336</u>	<u>319,959</u>
Consultant Services				
Consultant Fees	1,491,000	1,488,705	724,009	764,696
Other Professional Fees	237,500	276,950	255,115	21,835
External Reviewers	5,000	12,800	11,600	1,200
Total Consultant Services	<u>1,733,500</u>	<u>1,778,455</u>	<u>990,724</u>	<u>787,731</u>
Travel and Meetings				
Airfare	86,242	95,242	54,183	41,059
Program Events	40,000	40,000	3,762	36,238
Lodging	84,876	95,276	50,232	45,044
Conference Registration	89,485	101,665	78,456	23,209
Local Meetings	115,900	94,320	43,705	50,615
Per Diem	42,488	46,738	25,115	21,623
Total Travel and Meetings	<u>458,991</u>	<u>473,241</u>	<u>255,453</u>	<u>217,788</u>
Capital Improvements	-	-	24,552	(24,552)
Total Operating Expenditures	<u>20,794,362</u>	<u>20,794,362</u>	<u>17,134,003</u>	<u>3,660,359</u>
Total Program Costs and Operating Expenditures	<u>229,716,362</u>	<u>218,254,362</u>	<u>189,991,651</u>	<u>28,262,711</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (145,138,628)</u>	<u>\$ (133,676,628)</u>	<u>\$ (76,551,828)</u>	<u>\$ 57,124,800</u>
Fund balance - Beginning of year			536,628,004	
Fund balance - End of year			<u>\$ 460,076,176</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, 2016**

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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 2015-16 was \$218.3 million, which included \$197.5 million for Program costs and \$20.8 million for Operating and Administrative costs.

In FY 2015-16, \$13.5 million was recorded as “pass through grants”, which includes \$8.5 million for the Los Angeles County Department of Children and Family Services Partnership for Families (LAC-PFF) program, \$4.9 million for the First 5 California Child Signature Program (CSP), and \$99,391 for Medi-Cal Administrative Activities. The Commission does not establish a budget for pass-through grants.

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OTHER SUPPLEMENTARY INFORMATION

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
SCHEDULE OF CARES PLUS FUNDING
FOR THE YEAR ENDED JUNE 30, 2016**

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<u>Program</u>	<u>Source</u>	<u>Revenue Funds</u>	<u>Expenditures</u>
CARES Plus	First 5 LA Program Funds	\$ 399,423	\$ 399,423
	County, Local Funds	1,597,691	1,597,691

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

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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.

Pages

Financial Trends

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

Revenue Capacity

These schedules contain trend information to help the reader assess the Commission's most significant revenue base. 37-38

Demographic Information

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. 39-40

Operating Information

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. 41-43

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**

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	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010*	2009	2008	2007
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,019,859	\$ 885,944,312	\$ 846,935,336
Unrestricted	461,512,770	543,521,742	632,680,166	723,252,516	829,030,048	434,206,491	859,235,104	-	-	-
Net investment in capital assets	11,593,026	11,885,041	12,082,438	12,355,226	12,777,760	13,114,194	13,405,843	13,873,311	13,847,697	13,651,567
Total net position	<u>\$ 473,105,796</u>	<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>

* 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**

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	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Tobacco taxes	\$ 87,942,700	\$ 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
State School Readiness	-	-	-	-	-	28,465,232	19,011,847	15,445,577	15,098,348	11,563,470
State Commission Program Funds	5,796,252	10,283,414	18,009,907	2,749,082	8,098,412	7,933,188	7,162,800	6,438,881	5,673,958	2,200,312
Medi-Cal Administrative Activities	159,549	80,799	232,408	316,369	483,325	507,869	740,794	925,511	-	-
Partnership for Families Fund*	9,001,152	4,615,313	-	-	-	-	-	-	-	-
Other program revenue	115,000	-	-	-	-	-	-	-	-	-
Investment income	3,759,751	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
Net increase (decrease) in FMV of investments	1,064,007	2,152,879	-	-	-	-	-	-	-	-
Other revenues	119,100	104,072	100,320	98,880	9,048	290,093	465,061	453,762	467,302	290,768
Total revenues:	\$ 107,957,511	\$ 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
Expenses										
Provider grants and other allocations	\$ 159,337,913	\$ 168,766,806	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026	\$ 133,261,213	\$ 157,019,407	\$ 160,239,867	\$ 130,894,482	\$ 129,614,460
Pass-through grants	13,519,735	14,225,131	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	(424,388,705)	424,388,705	N/A	N/A	N/A	N/A
First 5 California (SRI)	N/A	N/A	N/A	N/A	1,137,220	2,506,120	N/A	N/A	N/A	N/A
Salaries and benefits	14,357,480	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
Operating services	1,157,290	1,346,532	1,207,259	1,159,609	1,138,850	1,324,708	832,164	1,090,947	693,968	855,192
Consultant services	990,724	1,216,609	956,488	549,676	331,046	1,523,221	677,379	653,301	415,736	415,822
Professional services	323,336	404,560	543,038	426,726	540,606	398,819	208,008	400,036	276,610	204,353
Other expenses	255,453	264,892	183,974	149,116	114,384	116,223	80,355	69,045	90,880	85,332
Depreciation	316,567	322,346	353,258	452,182	471,732	585,814	596,868	576,664	575,911	471,698
Total expenses:	\$ 190,258,498	\$ 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
Change in net position	\$ (82,300,987)	\$ (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

* 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***

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	Fiscal Year									
	2016*	2015*	2014*	2013*	2012*	2011*	2010	2009	2008	2007
Fund Balance										
Nonspendable	\$ 34,279,475	\$ 39,411,636	\$ 37,578,099	\$ 27,022,268	\$ 19,960,620	\$ -				
Committed	249,515,814	340,879,636	451,133,640	561,003,855	631,710,435	632,471,832				
Assigned	114,665,689	78,113,279	57,716,899	64,902,466	153,086,390	-				
Unassigned	61,615,198	78,223,453	79,494,722	70,816,380	16,691,138	(205,716,806)				
Total Fund Balance	<u>\$ 460,076,176</u>	<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
Reserved for obligations							189,699,943	45,820,595	52,670,634	13,125,130
Reserved for First 5 California							19,004,928	30,050,843	52,161,039	31,794,550
Total Reserved							<u>\$ 337,799,563</u>	<u>\$ 417,075,190</u>	<u>\$ 609,336,839</u>	<u>\$ 684,142,899</u>
Unreserved										
Designated							\$ 249,875,172	\$ 284,028,356	\$ 272,696,682	\$ 162,356,525
Unreserved							271,842,909	174,167,089	-	-
Total Fund Balance							<u>\$ 859,517,644</u>	<u>\$ 875,270,635</u>	<u>\$ 882,033,521</u>	<u>\$ 846,499,424</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**

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	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Tobacco taxes	\$ 87,942,700	\$ 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
State School Readiness	-	-	-	-	-	39,242,565	19,011,847	15,445,577	15,098,348	13,534,763
State Commission Program Funds	10,433,575	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
Medi-Cal Administrative Activities	159,549	80,799	232,408	316,369	483,325	507,869	740,794	925,511	-	-
Partnership for Families Funds*	9,914,472	3,701,993	-	-	-	-	-	-	-	-
Other program revenue	115,000	-	-	-	-	-	-	-	-	-
Investment income	3,759,751	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
Net increase (decrease) in FMV of investments	1,064,007	2,152,879	-	-	-	-	-	-	-	-
Other income	50,769	104,072	100,320	98,880	9,048	290,093	427,960	415,048	428,588	252,054
Total revenues:	\$ 113,439,823	\$ 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
Expenditures:										
Provider grants and other allocations	\$ 159,337,913	\$ 168,766,806	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026	\$ 133,261,213	\$ 157,019,407	\$ 160,239,867	\$ 130,894,482	\$ 129,614,460
Pass-through grants	13,519,735	14,225,131	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	(424,388,705)	424,388,705	N/A	N/A	N/A	N/A
First 5 California (SRI)	N/A	N/A	N/A	N/A	1,137,220	2,506,120	N/A	N/A	N/A	N/A
Salaries and benefits	14,382,648	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
Operating services	1,157,290	1,346,532	1,207,258	1,159,609	1,138,850	1,324,708	832,164	1,090,947	693,968	855,192
Consultant services	990,724	1,216,609	956,488	549,676	331,046	1,523,221	677,379	653,301	415,736	415,822
Professional services	323,336	404,560	543,038	426,726	540,606	398,819	208,008	400,036	276,610	204,353
Other expenses	255,453	264,892	183,974	149,116	114,384	116,223	80,355	69,045	90,880	85,332
Capital outlay	24,552	124,949	80,471	29,648	135,298	294,166	123,599	602,278	872,041	228,605
Total expenditures:	\$ 189,991,651	\$ 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
Excess (deficiency) of revenues over (under) expenditures	\$ (76,551,828)	\$ (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

* 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 2015/2016 - FY 2019/2020**

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2013 Actual Births	2013 Actual Birthrate	2015-2016 Tax Revenue Received	2014 Actual Births	2014 Actual 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	2017 Projected Births	2017 Projected Birthrate	2019-2020 Tax Revenue Projection
127,194	25.727%	\$ 87,942,700	130,150	25.867%	\$ 87,017,941	128,210	25.423%	\$ 82,746,658	128,355	25.271%	\$ 79,673,821	128,355	25.119%	\$ 76,826,944

Source:
 "First 5 California County Tax Revenue Projections for FY 2015-16 through 2019-20"
 (Updated 9/8/16 Utilizing DOF June Revise 2016 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 2014-15
(In thousands of dollars)**

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Fiscal	Cigarette tax				Other tobacco products surtax	
	Revenue ^{a/}	Distributors ^f	Gross	Refunds	OTP	Rate
2014-15	\$748,022,000	\$6,413,000	\$754,434,000	\$837,000	\$86,949,000	28.95%
2013-14	751,513,000	6,443,000	757,956,000	600,000	86,424,000	29.82%
2012-13	782,115,000	6,705,000	788,820,000	498,000	82,548,000	30.68%
2011-12	820,322,000	7,032,000	827,355,000	1,017,000	80,424,000	31.73%
2010-11	828,831,000	7,105,000	835,937,000	1,308,000	77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	50,037,000	52.65% ^{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		

^{a.} Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
^{b.} A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was 2 percent.
^{c.} Includes sales of indicia purchased on credit. Effective July 16, 1961, distributors have been able to purchase tax indicia on credit.
^{d.} From July 1, 2001, through September 9, 2001, the surtax rate on smokeless tobacco ranged from 131 percent for moist snuff to 490 percent for chewing tobacco. Effective September 10, 2001, the surtax rate on smokeless tobacco was lowered to 52.65 percent.
^{e.} Effective January 1, 1999, the overall tax rate on cigarettes was increased from 37 cents to 87 cents per pack under voter-approved Proposition 10. The additional 50-cent-per-pack tax was imposed to raise funds for early childhood development programs. Excludes \$87,978,766 in 1998-99 from the floor stocks taxes for both cigarettes and other tobacco products levied on January 1, 1999.
^{f.} From July 1, 1998, through December 31, 1998, the surtax rate was 26.17 percent for other tobacco products. Effective January 1, 1999, the new surtax imposed under Proposition 10 raised the combined surtax rate to 61.53 percent for other tobacco products. The new surtax is equivalent (in terms of the wholesale costs of other tobacco products) to a 50-cent-per-pack tax on cigarettes.
^{g.} Effective January 1, 1994, the overall tax rate on cigarettes was increased from 35 cents to 37 cents per pack. The additional 2-cent-per-pack tax was imposed to raise funds for breast cancer research and education.
^{h.} Effective January 1, 1989, an additional 25-cent-per-pack surtax was imposed on cigarettes and a new 41.67 percent surtax was imposed on other tobacco products.
^{i.} Excludes \$57,927,856 in 1968-69 and \$595,000 in 1969-70 from the floor stocks tax levied on January 1, 1989.
^{j.} Effective August 1, 1967, the tax rate was increased from 3 cents to 7 cents per pack. On October 1, 1967, the rate was further increased to 10 cents per pack, with the stipulation that 30 percent of the tax be allocated to cities and counties. Includes \$6,515,209 from the 4-cent-per-pack floor stocks tax levied on August 1, 1967, and \$4,889,485 from the 3-cent-per-pack floor stocks tax imposed October 1, 1967.
^{k.} Refunds made for distributors' discounts in the 1960-61 fiscal year on purchases made in the 1959-60 fiscal year have been deducted. These refunds amounted to \$324,000.
^{l.} Effective July 1, 1960, a discount was allowed at the time tax indicia were purchased.
^{l.} Includes \$2,673,048 from the 3-cent-per-pack floor stocks tax imposed July 1, 1959; and also includes the amount of distributors' discounts which were refunded after purchase of indicia. During July and August of 1959, the tax was collected by invoice and no discount was allowed on these collections of \$8,123,700, nor on the \$2,673,048 tax on floor stocks.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
DEMOGRAPHIC DATA AND ECONOMIC STATISTICS
2006-2015**

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Demographic Data

	2006**	2007**	2008**	2009***	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)
Total Population	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	10,147,670
White	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	2,677,368
Black	876,209	862,622	853,032	882,167	826,260	828,970	830,607	831,808	833,267	834,505
American Indian	25,584	25,056	24,588	30,808	19,509	19,619	19,652	19,629	19,658	19,654
Asian	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	1,387,891
Native Hawaiian & Other Pacific Islander	27,544	27,773	28,137	29,001	23,191	23,103	23,277	23,433	23,579	23,721
Hispanic or Latino	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	5,001,012
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multi-race	215,509	227,501	244,067	182,403	181,302	185,733	190,077	194,566	198,723	202,919
Female	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	5,137,391
Male	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	5,009,679
Under 5 years	742,159	728,334	731,216	716,228	644,882	645,529	645,026	644,356	658,930	664,168
5-9 years	760,560	732,624	735,376	744,818	631,973	625,415	632,530	637,383	638,471	641,563
10-14 years	902,600	852,918	802,998	769,538	674,968	658,984	648,192	638,396	631,525	625,574
15-19 years	820,767	885,245	926,946	870,100	749,322	732,741	716,854	700,066	683,907	670,120
20-24 years	647,886	690,477	712,834	725,816	751,717	755,888	758,178	759,628	757,233	748,352
25-29 years	580,169	621,590	647,647	677,682	758,633	762,396	756,706	754,773	755,997	757,871
30-39 years	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	1,477,437
40-49 years	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	1,403,932
50-59 years	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	1,331,973
60-69 years	722,021	754,663	794,316	827,207	784,117	817,011	856,522	891,983	930,186	971,603
70-79 years	459,992	459,524	465,714	466,110	439,892	447,281	462,564	479,911	497,179	515,304
80+ years	324,179	331,715	342,302	322,617	307,377	314,999	323,079	329,570	333,556	339,173

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
LA County Personal Income	384,722,373	398,281,877	410,482,294	395,372,354	404,473,004	425,673,042	455,788,782	466,098,988	499,767,889	N/A
LA County Per Capita Personal Income	39,508	41,058	42,165	40,396	41,163	43,062	45,800	46,506	49,400	N/A
California Personal Income	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	2,061,337,141
California Per Capita Personal Income	41,623	43,152	43,608	41,587	42,282	44,749	47,505	48,434	50,109	52,651
United States Personal Income	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	15,324,108,725
United States Per Capita Personal Income	38,127	39,804	40,873	39,379	40,144	42,332	44,200	44,765	46,129	47,669

Source:

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

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

2015 economic data is not yet available for Los Angeles County

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
UNEMPLOYMENT RATE
2000 – 2015**

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Area	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
United States	5.3%	6.2%	7.4%	8.1%	8.9%	9.6%	9.3%	5.8%	4.6%	4.6%	5.1%	5.5%	6.0%	5.8%	4.7%	4.0%
California	6.2%	7.5%	8.9%	10.4%	11.8%	12.4%	11.3%	7.2%	5.4%	4.9%	5.4%	6.2%	6.8%	6.7%	5.4%	4.9%
Los Angeles County	6.7%	8.3%	9.9%	10.9%	12.3%	12.6%	11.6%	7.5%	5.1%	4.8%	5.4%	6.5%	7.0%	6.8%	5.7%	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)
2015 AND 2006**

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Industry	June 30, 2015			June 30, 2006		
	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Trade, Transportation & Utilities	814,700	1	17.34%	807,000	1	17.72%
Educational & Health Services	763,100	2	16.24%	575,800	4	12.64%
Professional & Business Services	623,000	3	13.26%	601,300	3	13.20%
Government	574,400	4	12.23%	598,000	2	13.13%
Leisure & Hospitality	487,600	5	10.38%	394,100	6	8.65%
Manufacturing	362,800	6	7.72%	467,600	5	10.27%
Financial Activities	211,100	7	4.49%	247,300	7	5.43%
Information	190,900	8	4.06%	209,100	8	4.59%
Other Services	155,900	9	3.32%	147,100	10	3.23%
Construction	128,200	10	2.73%	159,300	9	3.50%
Sub-total Ten Largest Industries	4,311,700		91.79%	4,206,600		92.35%
All Other Industries	385,900		8.22%	348,500		7.65%
Total Industries	4,697,600		100.00%	4,555,100		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, 2015:
<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.

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**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
AUTHORIZED POSITIONS BY FUNCTION
2011-2016**

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Functional Area	2016 (5)	2015 (4)	Fiscal Year 2014 (3)	2013 (2)	2012 (1)	2011 (1)
Executive	5	4.5	5.5	3	2	2
Administration	37.5	34.5	34	35	33	29
Programs	106	101.5	91.5	92	91	96
Total	148.5	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
 - (5) First 5 LA Approved FY 2015-16 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, 2016, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated October ___, 2016. Our report included an emphasis-of-matter regarding the Commission’s adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 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
October __, 2016

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, 2016.

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:

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<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, 2016.

Purpose of Report

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

Rancho Cucamonga, California
 October __, 2016

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

We have audited 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 Los Angeles County, California for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information related to the planned scope and timing to the Budget and Finance Committee on May 24, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

Management's estimate of the fair value of investments as disclosed in Note 1 to the financial statements is based on information provided by the County of Los Angeles. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October ___, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Commission’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of CARES Plus Funding which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of Los Angeles County Children and Families First – Proposition 10 Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Rancho Cucamonga, California
October ___, 2016

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