

**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, 2010



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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, 2010

Tracey L. Hause

Director of Finance

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FOR THE YEAR ENDED JUNE 30, 2010**

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Champions For Our Children

COMMISSIONERS

Los Angeles County Supervisor
Gloria Molina
Chair

October 4, 2010

Marvin J. Southard, D.S.W.
Vice Chair

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

Nancy Au

Dear Commissioners:

Jane Boeckmann
Jonathan E. Fielding, M.D., M.P.H.

Neal Kaufman, M.D., M.P.H.

Alma D. Martinez

Evangelina R. Stockwell, Ed.D.

Carolyn R. Wilder

EX OFFICIO MEMBERS

Duane Dennis

Deanne Tilton

Harriette F. Williams, Ed.D.

CHIEF EXECUTIVE OFFICER

Evelyn V. Martinez

750 N. Alameda Street
Suite 300
Los Angeles, CA 90012
PH: 213.482.5902
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The Comprehensive Annual Financial Report (CAFR) of the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) for the year ended June 30, 2010, 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. Responsibilities for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest 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 ending June 30, 2010, along with additional disclosures and financial information designed to enable the reader to gain an understanding of First 5 LA’s financial activities.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on First 5 LA’s financial statements for the year ended June 30, 2010. The independent auditor’s report is located at the front 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 Management’s discussion and analysis (MD&A). It can be found immediately following the independent auditor’s report.

The Comprehensive Annual Financial Report is organized into three sections:

1. Introductory Section – The introductory section includes the table of contents, letter of transmittal, a list of First 5 LA’s Commissioners and administrative personnel and an organizational chart.
2. Financial Section – The financial section includes the independent auditors’ opinion, management’s discussion and analysis, the basic financial statements, notes to the financial statements and required supplemental information.

A public entity.

3. Statistical Section – The statistical section is presented in compliance with GASB 44 and provides schedules designed to reflect tax revenue trends, demographic data and economic statistics, unemployment rates and statistics related to the children in Los Angeles County.

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. During the last ten years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocations of more than \$1.1 billion toward grants, programs and operations that improve the well-being of young children and families in Los Angeles County.

LOCAL ECONOMY

Los Angeles County serves as the central trade district for the western United States and controls nearly 75% of the Pacific Coast trade with Asia. It is a leader in the communications industry, has established itself as a leading financial center and serves as the western headquarters for many national firms. The County expanded at a moderate pace in 2007 but has experienced lower growth in 2008, 2009 and the first six months of 2010 as a result of the economic downturn, a slow-down in the housing sector and the fiscal problems the State of California continues to experience.

MAJOR ACCOMPLISHMENTS

First 5 LA has adopted a plan to implement a Strategic Plan for FY 2009-2015. Staff worked on the strategic planning process in the FY 2008-09 and developed a framework for the approach of the Strategic Plan:

The Strategic Plan for FY 2009-2015 will target the Commission's funding to specific communities in order to integrate its current initiatives and prioritize new investments, while continuing to fund new and/or current countywide investments to support a targeted place-based approach.

FUTURE INITIATIVES

In FY 2009-10, an implementation plan for the Strategic Plan was developed and adopted by the Board of Commissioners

The primary components of this implementation plan are:

- Five-year Budget Allocation and the FY 10-11 Programmatic Budget
- The Accountability and Learning Framework designed to measure success of the plan
- The Countywide Approach outlining strategies to be implemented countywide
- The Place-Based Approach outlining strategies to be implemented in the target communities
- The Transition Plan detailing the transition from an initiative-based portfolio
- The Five Year Timeline for implementation

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 an operating 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 in the adopted appropriations during the fiscal year must have Commission approval. The Executive Director has the authority to make adjustments between lines items in an amount not to exceed \$25,000. Monthly financial updates are provided to the Board of Commissioners.

Cash Management

The Board of Commissioners adopts an Investment Policy annually and all investments are managed in accordance with the Commission's Investment Policy. The Policy complies with all applicable California statues and Federal regulations. It is intended to preserve and protect the investment principals, maintain sufficient liquidity and diversification to meet anticipated cash flows and avoid incurring unreasonable market risks and attain a reasonable market rate of return.

Risk Management

First 5 LA manages its risk exposure through the purchase of workers' compensation insurance, property, general, crime and Directors and Officers liability insurance policies.

ACKNOWLEDGEMENTS

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

Sincerely,


Evelyn W. Martinez
Chief Executive Officer

EVM:th

Commissioners

Gloria Molina, Los Angeles County Supervisor, Chair
Marvin Southard, D.S.W., Vice Chair
Nancy Au
Jane Boeckmann
Jonathan E. Fielding, M.D., M.P.H.
Neal Kaufman, M.D., M.P.H.
Alma Martinez
Evangalina “Angie” Stockwell, Ed.D.
Carolyn Wilder

Ex-Officio Commissioners

Duane Dennis
Deanne Tilton
Harriette F. Williams, Ed.D.

Alternate Commissioners

William Arroyo
Cynthia “Cindy” Harding

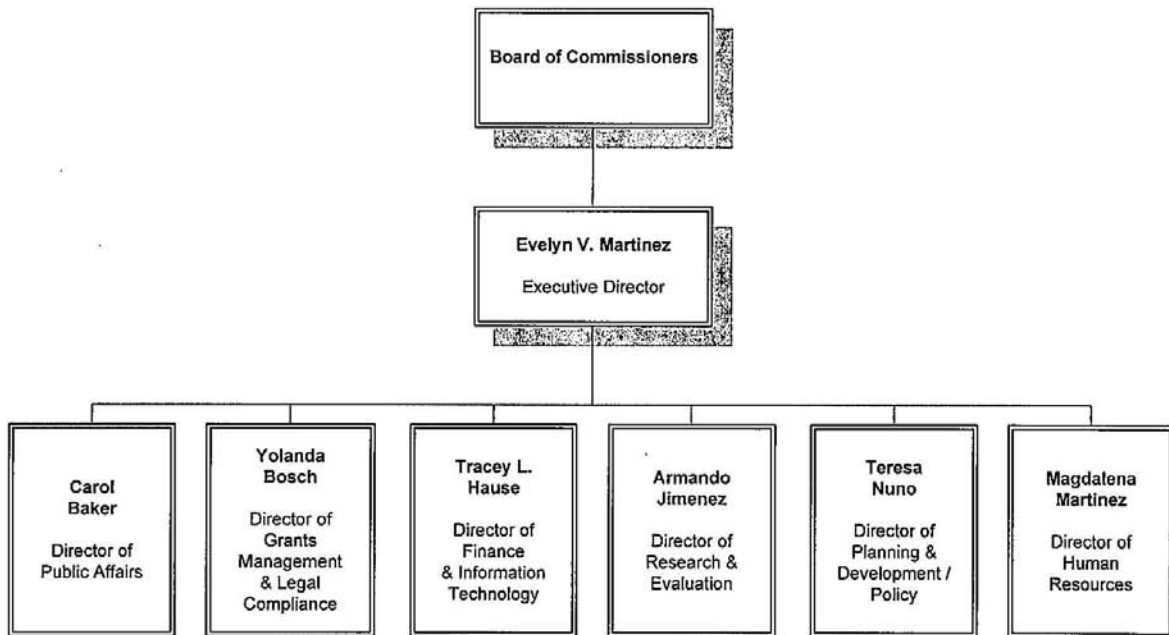
Executive Director

Evelyn V. Martinez

Department Directors

Carol Baker, Public Affairs
Yolanda Bosch, Grants Management & Legal Compliance
Tracey L. Hause, Finance & Information Technology
Armando Jimenez, Research & Evaluation
Magdalena Martinez, Human Resources
Teresa Nuno, Planning & Development/Policy

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
ORGANIZATION CHART
FOR THE YEAR ENDED JUNE 30, 2010



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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director



INDEPENDENT AUDITORS' REPORT

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

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 (the Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 general fund of the Commission, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010, 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 and the budgetary comparison schedule on page 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information, such as the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinch, Train, Dwyer & Co., LLP

Rancho Cucamonga, California

October 1, 2010

Management's Discussion and Analysis (Unaudited)

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 ended June 30, 2010. Please read in conjunction with the Commission’s basic financial statements and accompanying notes.

Financial Highlights

- The Commission received \$128,679,575 from the State compared to \$136,810,187 received in the prior fiscal year, a decrease of \$8,130,612 or 5.9%.
- The Commission had expenses totaling \$168,232,317 in FY 2009-10, which is a decrease of \$2,958,834 or 1.7% compared to \$171,191,151 in FY 2008-09.
- The Commission’s total liabilities and net assets decreased from \$935,197,866 in FY 2008-09 to \$894,705,849 in FY 2009-10, a decrease of \$40,492,017 or 4.3%.
- The Commission’s liabilities decreased from \$40,304,696 in FY 2008-09 to \$22,064,904 in FY 2009-10, a total decrease of \$18,239,792 or 45.3%.

Overview of the Financial Statements

The financial section consists of three parts, this management’s discussion and analysis, the basic financial statements, including government-wide financial statements, fund financial statements and notes to the basic financial statements, and the budgetary information of the general fund. 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 assets includes information on all of the Commission’s assets and liabilities with the difference between assets and liabilities reported as net assets. Changes in net assets 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 assets changed during the fiscal year. All changes in net assets 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.

**Management’s Discussion and Analysis
(Unaudited)**

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 assets comparing FY 2009-10 with FY 2008-09:

	FY 2009-10	FY 2008-09	Percent Increase (Decrease)
Assets:			
Current and other assets	\$881,300,007	\$921,324,555	-4.3%
Capital assets	13,405,842	13,873,311	-3.4%
Total assets	<u>894,705,849</u>	<u>935,197,866</u>	-4.3%
Liabilities:			
Long-term liabilities	292,501	216,311	35.2%
Other liabilities	21,772,403	40,088,385	-45.7%
Total liabilities	<u>22,064,904</u>	<u>40,304,696</u>	-45.3%
Net Assets:			
Restricted	859,235,103	881,019,859	-2.5%
Invested in capital assets	13,405,842	13,873,311	-3.4%
Total net assets	<u>872,640,945</u>	<u>894,893,170</u>	-2.5%
Total liabilities and net assets	<u><u>\$894,705,849</u></u>	<u><u>\$935,197,866</u></u>	-4.3%

The Commission’s total assets of \$894,705,849 decreased by \$40.5 million compared with the prior year. The key contributing factor for this reduction in total net assets is that total expenses including provider grants were higher than the total revenue received.

Other liabilities decreased by 45.7% primarily because year end accruals were significantly lower than in the prior year.

The \$467,469 decrease in capital assets was due to continued depreciation of the Agency’s fixed assets. The depreciation expense for FY 2009-10 was \$596,869. Additional information on capital assets can be found in Note 3 of this report.

**Management's Discussion and Analysis
(Unaudited)**

The following is a summary of the Commission's revenues, expenses and change in net assets comparing FY 2009-10 with 2008-09:

	FY 2009-10	FY 2008-09	Percent Increase (Decrease)
Revenues:			
Program revenues			
Tobacco taxes	\$102,504,928	\$114,925,729	-10.8%
State School Readiness	19,011,847	15,445,577	23.1%
Other State Commission Program Funds	7,162,800	6,438,881	11.2%
Medi-Cal Administrative Activities	740,794	925,511	-20.0%
Total program revenues	<u>129,420,369</u>	<u>137,735,698</u>	-6.0%
General revenues			
Investment income	16,094,660	28,102,852	-42.7%
Other income	465,061	453,762	2.5%
Total general revenues	<u>16,559,721</u>	<u>28,556,614</u>	-42.0%
Total revenues	<u>145,980,090</u>	<u>166,292,312</u>	-12.2%
Expenses:			
Provider grants and other allocations	157,019,407	160,239,867	-2.0%
Salaries and benefits	8,818,136	8,161,291	8.0%
Operating services	832,164	1,090,947	-23.7%
Consultant services	677,379	653,301	3.7%
Professional services	208,008	400,036	-48.0%
Other expenses	80,355	69,045	16.4%
Depreciation	596,868	576,664	3.5%
Total expenses	<u>168,232,317</u>	<u>171,191,151</u>	-1.7%
Change in net assets:	<u>(22,252,227)</u>	<u>(4,898,839)</u>	354.2%
Net assets – beginning	894,893,172	899,792,011	-0.5%
Net assets – ending	<u><u>\$872,640,945</u></u>	<u><u>\$894,893,170</u></u>	-2.4%

Management's Discussion and Analysis (Unaudited)

Revenues

The Commission received total revenues of approximately \$146.0 million in FY 2009-10, which was a decrease of \$20.3 million, or 12.2% compared with the prior year's total revenues of \$166.3 million. This decrease in Commission revenue is due to the following:

Tobacco Tax

Tobacco tax revenue decreased from \$114.9 million in FY 2008-09 to \$102.5 million in FY 2009-10, a reduction of \$12.4 million or 10.8%. This decrease is primarily due to the decrease in sales of tobacco products, a decrease in the birth rate in Los Angeles County as projected by the State and increased administrative fees assessed by the State Board of Equalization for the collection of tobacco taxes.

State School Readiness Program

Tobacco tax revenue for the State School Readiness program went from \$15.4 million in FY 2008-09 to \$19.0 million in FY 2009-10 due to additional grant funds made available from First 5 California as a result of the rollover monies from Cycle 1.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities Program decreased from \$0.9 million in FY 2008-09 to \$0.7 million in FY 2009-10. The program, contracted through the County of Los Angeles, helps to assist in the administration of the Medi-Cal Program by improving the availability and accessibility of Medi-Cal services to eligible participants. This decrease is a result of less activity for this program than in the prior year.

Investment Income

The Commission earned \$16.1 million of investment income in FY 2009-10, which was a decrease of \$12.0 million or 42.7% compared to the \$28.1 million earned in the prior year. This decrease is due to less diversification of the portfolio, a declining idle cash balance available for investments and an overall lower rate of return this fiscal year than in the prior year.

Other Revenues

The Commission generates other revenue primarily through the lease agreement of the 2nd floor of the building it owns. The revenue increased by 2.5% to \$465,061 in FY 2009-10 in comparison to \$453,762 received in FY 2008-09. This is a result of an increase in the monthly rental rate for FY 2009-10, per the lease agreement with the tenant.

Expenses

The Commission expended approximately \$168.2 million in FY 2009-10 compared to \$171.2 million in FY 2008-09 a decrease of \$3.0 million or 1.7%. The \$3.0 million decrease in overall expenditures is primarily due to the following:

Provider Grants and Other Allocations

The Commission expended approximately \$157.0 million in FY 2009-10 compared to \$160.2 million in FY 2008-09. This decrease of \$3.2 million or 2.0% is primarily a result of reduced grants to Los Angeles Universal Preschool and a slower start up of the Oral Health Community Development initiative than originally anticipated.

Management's Discussion and Analysis (Unaudited)

Salaries and benefits

The increase in salaries and benefits is primarily due to fewer vacancies in staffing in FY 2009-10 and an increase in medical premium costs.

Operating Services

Operating services are less than prior year primarily due to fewer equipment purchases and a reduction in repair and maintenance costs for facilities.

Professional Services

The decrease in professional services from prior year is due to fewer audit and legal fees, as well as staff recruitment fees.

Depreciation

Depreciation expense increased from \$576,664 in FY 2008-09 to \$596,868 in FY 2009-10. This is due to the depreciation of the building and additional equipment and furniture purchased in FY 2008-09.

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 following information provides a summary of the primary factors that caused the variance in the actual revenue compared to the final revenue estimates:

Tobacco Taxes

Tobacco tax revenue is less primarily due to an overall decline in smoking and increased administrative fees collected by the State Board of Equalization.

Investment Income

The interest rate was lower than projected and earnings on the portfolio were less than anticipated due to declining idle cash balances and less diversification in the portfolio.

Original Expenditure Budget vs. Final Expenditure Budget

The following provides a brief summary of the primary factors attributable to the increase in the final budgeted expenditures compared to the original budgeted expenditures:

Telephone and Modems

Additional costs were incurred for conference calls.

Conference Registration

Additional costs were incurred for conferences.

Outside Printing

Additional costs were incurred for outside printing.

Management's Discussion and Analysis (Unaudited)

Educational Supplies

Additional costs were incurred as a result of an expanded SRI program.

Professional Fees

Additional costs were incurred as a result of an expanded SRI program.

Final Expenditure Budget vs. Actual Expenditure Amounts

The following provides a summary of the primary factors causing the significant variances in the actual expenditures as compared to the final budgeted expenditures:

Provider Grants

The positive variance is primarily due to expenses being less than expected.

Personnel Related Expenses

The positive variance is primarily due to employees not contributing to their 403(b) retirement accounts at a level that requires the Commission to match the entire budgeted amount.

Contingency

The positive variance is primarily due to budgeted contingency expenditures which did not materialize.

Equipment Purchases

Purchases of computer equipment and the upgrade of the audio system in the Multi-Purpose Room were both projects that were re-evaluated during the fiscal year and did come to fruition, resulting in a variance from budgeted amounts.

Consultant Fees

Consultant fees in the Executive Director's budget did not materialize as originally anticipated. In addition contracts for consulting related to Best Start LA did not come to fruition.

Other Potentially Significant Matters

The State projects a continuing decrease of State Tax Allocations revenue and reduction in the share allocated to the Commission due to a proportionally lower birth rate. The projected annual revenue decrease is estimated to be 2.5% through FY 2011-12.

The State of California continues to experience fiscal difficulties. A statute was enacted to allow the State to borrow funds from the California Children and Families Trust Fund. Anticipating that loans would be short-term loans, the Commission does not believe there will be a lasting impact on its financial condition and believes that it has a sufficient cash balance to sustain an impact on cash liquidity needs.

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, you can contact the Commission's Director of Finance at 750 N. Alameda Street Suite 300, Los Angeles, California 90012.

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2010

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 1,727,392	\$ -	\$ 1,727,392
Investments	826,042,928	-	826,042,928
Investments - School Readiness	20,197,050	-	20,197,050
State receivable	29,085,340	-	29,085,340
Investment income receivable	1,531,300	-	1,531,300
Advance to grantee	2,715,997	-	2,715,997
Capital assets:	-	-	
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	11,366,842	11,366,842
Total assets	<u>\$ 881,300,007</u>	<u>\$ 13,405,842</u>	<u>\$ 894,705,849</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 21,673,220	\$ -	\$ 21,673,220
Deferred revenue	10,849,377	(10,777,333)	72,044
Compensated absences			
Due within one year	-	27,139	27,139
Due in more than one year	-	292,501	292,501
Total liabilities	<u>32,522,597</u>	<u>(10,457,693)</u>	<u>22,064,904</u>
Fund balance/net assets			
Fund balance			
Reserved			
Reserved for encumbrances	129,094,693	(129,094,693)	-
Reserved for obligations	189,699,943	(189,699,943)	-
Reserved for First 5 California initiatives	19,004,928	(19,004,928)	-
Total reserved fund balance	<u>337,799,564</u>	<u>(337,799,564)</u>	<u>-</u>
Unreserved	<u>510,977,846</u>	<u>(510,977,846)</u>	<u>-</u>
Total fund balance	<u>848,777,410</u>	<u>(848,777,410)</u>	<u>-</u>
Net assets			
Invested in capital assets	-	13,405,842	13,405,842
Restricted			
Early childhood development	-	859,235,103	859,235,103
Total net assets	<u>-</u>	<u>872,640,945</u>	<u>872,640,945</u>
Total liabilities and fund balances/net assets	<u>\$ 881,300,007</u>	<u>\$ 13,405,842</u>	<u>\$ 894,705,849</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, 2010

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
Revenues			
Program revenues			
Tobacco taxes	\$ 102,504,928	\$ -	\$ 102,504,928
State School Readiness	19,011,847	-	19,011,847
State Commission Program Funds	2,441,868	4,720,932	7,162,800
Medi-Cal Administrative Activities	740,794	-	740,794
Total program revenues	<u>124,699,437</u>	<u>4,720,932</u>	<u>129,420,369</u>
General revenues			
Investment income	16,094,660	-	16,094,660
Other revenues	<u>427,960</u>	<u>37,101</u>	<u>465,061</u>
Total general revenues	<u>16,522,620</u>	<u>37,101</u>	<u>16,559,721</u>
Total revenues	<u>141,222,057</u>	<u>4,758,033</u>	<u>145,980,090</u>
Expenditures/expenses			
Provider grants and other allocations	157,019,407	-	157,019,407
Salaries and benefits	8,774,370	43,766	8,818,136
Operating services	832,164	-	832,164
Consultant services	677,379	-	677,379
Professional services	208,008	-	208,008
Other expenses	80,355	-	80,355
Capital outlay	123,599	(123,599)	-
Depreciation	-	596,868	596,868
Total expenditures/expenses	<u>167,715,282</u>	<u>517,035</u>	<u>168,232,317</u>
Excess (deficiency) of revenues over/under expenditures	(26,493,225)	26,493,225	-
Change in net assets	-	(22,252,227)	(22,252,227)
Fund balance/net assets			
Beginning of year	875,270,635	19,622,537	894,893,172
End of year	<u>\$ 848,777,410</u>	<u>\$ 23,863,535</u>	<u>\$ 872,640,945</u>

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, 2010**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

With 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 (County). 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. 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 mission statement is “To optimize the development and well-being of all children, from the prenatal stage until their fifth birthday by increasing resources, ensuring access to services, and improving the abilities to families, communities and providers of services.”

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 assets 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, 2010**

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 assets. 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, state school readiness 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 assets represent the resources that the Commission has available for use in providing services. Net assets are composed of funds invested in capital assets and restricted net assets. At June 30, 2010, the Commission reported restricted net assets of \$859,235,103. California Proposition 10 restricts the Commission to expend tobacco tax revenues on programs focused exclusively on early childhood development for children prenatal up to five years of age.

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. Generally, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current assets. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 60 days after year-end. Revenues susceptible to accrual include tax revenues 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 \$13,405,842 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 \$123,599 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, 2010 amounted to \$596,868 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, 2010**

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

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

Deferred 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, and the uncollected balance is deferred at year-end in the fund financial statements. Deferred revenue of \$4,720,932 was recognized in the government-wide financial statements during the year ended June 30, 2010.

In the general fund, deferred revenue in the amount of \$10,849,377 is comprised of \$10,812,047 due from the State which was unavailable at June 30. Remaining amounts are related to unearned rent.

The Commission entered into an agreement with a tenant to pay for the cost of improvements, with the Commission to be subsequently reimbursed. Revenue will be recognized over the life of the tenant lease. At June 30, 2010, \$37,101 was deferred in the government-wide financial statements. The Commission also received rent from their tenant for July 2010 in June 2010 in the amount of \$34,943.

Long-Term Liabilities

As of June 30, 2010 the Commission estimated its liability for vested compensated absences to be \$319,640. 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 \$43,766 is reported in the statement of activities and does not require the use of current financial resources.

Fund Balance and Net Assets

The fund balance of the Commission are reserved funds constrained by state law for use for early childhood development and school readiness programs, and unreserved. As such, in accordance with GASB No. 34, the fund balance has been reclassified to funds invested in capital assets and restricted on the statement of net assets.

Investments

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

Advance to Grantee

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.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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

Capital Assets

Capital assets are composed of buildings, building improvements, computer software and accessories, office equipment and furniture and fixtures and are recorded at cost. The Commission capitalizes assets with a cost in excess of \$5,000 and 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.

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Total cash and investments at fair value, as of June 30, 2010 are as follows:

Cash:

Cash on hand	\$ 158
Cash in bank	1,727,234
Total Cash	1,727,392

Investments with County Treasurer:

Pooled cash and investments	826,042,928
Pooled cash and investments - School Readiness	20,197,050
Total Investments with County Treasurer	846,239,978
Total Cash and Investments	\$ 847,967,370

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 percent of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2010, cash held by the financial institutions of \$5,157,594 was entirely insured and collateralized as described above. The book balance at June 30, 2010 was \$1,727,234.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2010 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, which is amortized cost, of the participants' percentage participation at the date of such withdrawals. The fair value adjustment at June 30, 2010 increased the Commission's investment income by \$4,893,008. 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, 2010, the weighted average maturity for the County pool approximated 536 days and the County pool is not rated.

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, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

Type	Limit Per Issuer	Total Limit	Maximum Maturity
Certificate of Deposits (CD)	5%	30%	3 Years
Commercial Paper (CP)	5%	40%	3 Years
Corporate Notes	5%	30%	3 Years
Federal Agencies	15%	60%	3 Years
U.S. Treasuries	100%	100%	3 Years
Los Angeles County Pooled Surplus Investment Fund	N/A	N/A	N/A

Credit Risk

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, 2010**

NOTE 3 – CAPITAL ASSETS

The capital assets balance at June 30, 2010 consists of the following activity:

	Balance June 20, 2009	Increases	Decreases	Balance June 20, 2010
Capital assets not depreciated:				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets depreciable:				
Building and improvements	11,921,736	-	-	11,921,736
Computer software and accessories	1,493,992	125,988	(5,800)	1,614,180
Office equipment	174,950	3,411	-	178,361
Furniture and fixtures	458,670	-	-	458,670
Total Depreciable Capital Assets	<u>14,049,348</u>	<u>129,399</u>	<u>(5,800)</u>	<u>14,172,947</u>
Less accumulated depreciation:				
Building and improvements	(986,820)	(239,133)	-	(1,225,953)
Computer software and accessories	(736,067)	(256,395)	5,800	(986,662)
Office equipment	(145,412)	(28,267)	-	(173,679)
Furniture and fixtures	(346,738)	(73,073)	-	(419,811)
Total Accumulated Depreciation	<u>(2,215,037)</u>	<u>(596,868)</u>	<u>5,800</u>	<u>(2,806,105)</u>
Total Capital Assets, Depreciable (Net)	<u>11,834,311</u>	<u>(467,469)</u>	<u>-</u>	<u>11,366,842</u>
Capital Assets, Net	<u>\$ 13,873,311</u>	<u>\$ (467,469)</u>	<u>\$ -</u>	<u>\$ 13,405,842</u>

NOTE 4 – CHANGES IN COMPENSATED ABSENCES

Compensated absences liability activities for the year ended June 30, 2010 is as follows:

	Balance June 20, 2009	Increases	Decreases	Balance June 20, 2010	Due Within One Year
Compensated absences	<u>\$ 275,875</u>	<u>\$ 368,979</u>	<u>\$ (325,215)</u>	<u>\$ 319,640</u>	<u>\$ 27,139</u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 – FUND BALANCE

Fund balance represents the value of funds available to the Commission. Fund balance is composed of two categories, reserved and unreserved. Reserved fund balance consists of the following:

Reserved for encumbrances – an encumbrance is a legal obligation of the Commission based on an executed contract.

Reserved for obligations – the Commission has explicitly authorized and directed staff to enter into an agreement with a specific agency; however, the contract has not yet been executed.

Reserved for First 5 California initiatives – the total future amount that the County Commission must reserve in order to meet its matching funds.

Unreserved fund balance consists of the following:

Designated for operating sustainability – represents funds designated by the Board to be set-aside for long-term operating sustainability.

Designated for local initiatives – represents funds designated to operate a specific program or project in the current or future fiscal years that have not yet been encumbered or authorized for definite contracts.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 – FUND BALANCE (Continued)

Fund balance at June 30, 2010 is as follows:

Reserved for Encumbrances:

2-1-1 Line	\$ 849,512
ARRA Funds TA	80,000
ARRA Matching Fund	1,894,027
Best Start LA (P-3)	9,113,512
Black Infant Health	1,161,986
Children's Planning Council - SP 11	880,000
Community Opportunities Fund	3,892,965
Cross Cutting Approaches	25,583
Early Childhood Education (4 Yr Olds)	67,640,909
ECE - Family, Friends, and Neighbor	1,200,000
ECE - Workforce Development	3,042,956
Family Literacy Expansion Grants	2,330,000
Healthy Kids	7,242,925
LA Best Babies Network	4,424,167
Oral Health Community Development	815,956
Oral Health Nutrition	1,184,222
Partnership For Families	12,508,807
Performance Based Contract Consultants	66,384
Public Education	756,028
Research and Evaluation	4,305,961
Research and Evaluation (Early Learning)	2,444,452
Strategic Plan Technical Institute	127,258
Strategic Plan Implementation Activities	107,108
Workforce Development	2,999,975
Total Reserved for Encumbrances	<u>129,094,693</u>

Reserved for Obligations:

2-1-1 Line	\$ 769,182
Best Start LA (P-3)	9,712,500
Children's Planning Council - SP 11	27,886
Early Childhood Education (4 Yr Olds)	173,498,653
Oral Health Community Development	5,691,722
Total Reserved for Obligations	<u>189,699,943</u>

Reserved for First 5 California Initiatives

19,004,928

 Total Reserved Fund Balance

337,799,564

Unreserved:

Designated for:

Operating Sustainability	7,571,923
FY 09/10 Operation Budget	12,709,972
Local Initiatives	229,593,277
Undesignated	261,102,674

 Total Unreserved Fund Balance

510,977,846

 Total Fund Balance

\$ 848,777,410

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 6 – PROGRAM EVALUATION

The Commission spent \$6,526,042 on program evaluation during the year ended June 30, 2010.

NOTE 7 – DEFERRED COMPENSATION PLANS

As of March 31, 2007, employer contributions to the 457(b) Plan ceased, and all contributions were made to the 403(b) Plan. Commission contributions were made to the 403(b) Plan for all benefit eligible employees. For employees hired before March 15, 2007, the Commission’s contribution is equal to 100% of the employee’s contribution, not to exceed 6% of the employee’s annual compensation. For employees hired on or after March 15, 2007, the Commission’s contribution is equal to 100% of the employee’s contribution up to 1% of the employee’s annual compensation after the employee’s one year employment anniversary, increasing 1% each year to 6% after the employee’s 6th year employment anniversary. The Commission contributed \$197,276 to the 403(b) plan in fiscal year ended June 30, 2010.

NOTE 8 – 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 9 – COMMITMENTS AND CONTINGENCIES

Operating Lease

The Commission leases equipment from a third party under a lease, which expires in May 2014. The future minimum rental payments due under the lease are as follows:

Fiscal Year Ending June 30th	
2011	\$ 37,768
2012	37,768
2013	37,768
2014	29,631
Total	<u>\$ 142,935</u>

The Commission recognized \$37,768 in lease expense for the year ended June 30, 2010.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Future Funding

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

NOTE 10 – STATE SCHOOL READINESS PROGRAM

The Commission participates in the State School Readiness Program and receives funds to be used to coordinate, develop, implement and sustain a system of collaborative school-based or linked services, programs and informal supports based on research or promising practices to improve “school readiness” for children, families, communities and schools. A local match of the program funds expended each year is required and can be met through a cash match, including Commission funds, new expenditures by school districts and local public agencies in excess of existing local investments that are specifically targeted to an element of the School Readiness Program, or funds from private sources such as foundations and businesses.

The State’s policies and procedures for reporting program costs and requesting program funding have evolved since the program’s inception, and based on current State policies, the Commission is entitled to current year funding based on achieving the matching requirements. In the current fiscal year, the Commission expended approximately \$29.6 million in grantee expenses. Of the \$29.6 million State School Readiness Program expenses, the Commission is eligible to receive funding under the one-to-one match of \$18.5 million.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Commission is required to use the County Treasurer for treasury and investment services and paid fees totaling approximately \$20,100 during the year ended June 30, 2010.

The Commission paid approximately \$20,586,959 of provider grants to organizations which are represented by nine members of the Board of Commissioners. In addition, \$15,000 was provided for a conference for an organization which a Board member represents.

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS

Effective in the Current Period

GASB Statement No. 51 – In June 2008, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is effective as of July 1, 2009. This statement did 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, 2010**

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Effective in Future Fiscal Years

GASB Statement No. 54 – In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement will enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Commission has not determined the effect on the financial statements.

GASB Statement No. 59 – In December of 2009, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. This Statement will update existing standards pertaining to certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is not effective until July 1, 2010. The Commission has not determined the effect on the financial statements.

**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, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tobacco taxes:				
Tobacco taxes	\$ 105,337,875	\$ 105,337,875	\$ 102,504,928	\$ (2,832,947)
State School Readiness	-	-	19,011,847	19,011,847
State Commission Program Funds	-	-	2,441,868	2,441,868
Medi-Cal Administrative Activities	-	-	740,794	740,794
Investment income	21,000,000	21,000,000	16,094,660	(4,905,340)
Other revenues	418,000	418,000	427,960	9,960
Total revenues	<u>126,755,875</u>	<u>126,755,875</u>	<u>141,222,057</u>	<u>14,466,182</u>
Expenditures				
Provider Grants				
Provider grants and other allocations	184,477,925	184,477,925	157,019,407	27,458,518
Operations & Administration				
Personnel related expenditures				
Salaries and wages	7,866,329	7,866,329	7,188,056	678,273
Fringe Benefits	2,335,013	2,335,013	1,586,314	748,699
Total Personnel Related Expenditures	<u>10,201,342</u>	<u>10,201,342</u>	<u>8,774,370</u>	<u>1,426,972</u>
General Operating Expenditures				
ADP Payroll Charges	20,000	20,000	18,814	1,186
Workers Compensation Insurance	50,000	50,000	2,853	47,147
Corporate Insurance	55,000	55,000	56,323	(1,323)
Mileage Expense	37,500	34,500	14,018	20,482
Telephones & Modems	60,000	85,000	84,302	698
Printing	7,600	11,600	4,322	7,278
Postage & Delivery	13,000	7,000	4,352	2,648
Office Supplies	74,350	80,350	63,143	17,207
Subscription & Publications	9,200	8,200	4,958	3,242
Equipment Purchases	300,000	300,000	142,585	157,415
Equipment Rental	56,250	56,250	47,720	8,530
Repair & Maintenance-Furniture & Fixtures	195,000	195,000	168,581	26,419
Repair & Maintenance-Equipment	50,000	50,000	23,618	26,382
Rents & Lease - Offsite Storage	9,000	9,000	7,305	1,695
Human Resources Related Costs	14,300	14,300	12,595	1,705
Los Angeles County Overhead	116,500	116,500	20,302	96,198
Contingency	225,000	225,000	11,813	213,187
Facilities & Other Supplies	40,000	40,000	29,794	10,206
Utilities	160,000	160,000	140,883	19,117
Educational Supplies	2,500	72,500	77,795	(5,295)
Cell Phones & BlackBerry	25,000	25,000	19,688	5,312
Total General Operating Expenditures	<u>1,520,200</u>	<u>1,615,200</u>	<u>955,763</u>	<u>659,436</u>
Professional Services				
Audit and Accounting Fees	175,000	175,000	90,794	84,206
Legal Fees	75,000	75,000	64,013	10,987
Membership Dues	92,860	92,860	21,258	71,602
Professional Development	10,100	10,100	6,510	3,590
Staff Recruitment	18,000	18,000	6,083	11,917
Commission Stipends	25,000	25,000	19,350	5,650
Total Professional Services	<u>395,960</u>	<u>395,960</u>	<u>208,008</u>	<u>187,952</u>
Consultant Services				
Consultant Fees	463,700	438,700	153,601	285,099
Other Professional Fees	<u>168,200</u>	<u>702,420</u>	<u>523,778</u>	<u>178,642</u>
Total Consultant Services	<u>631,900</u>	<u>1,141,120</u>	<u>677,379</u>	<u>463,741</u>
Travel and Meetings				
Conferences - Travel & Lodging	43,650	43,650	16,336	27,314
Conference - Registration Fees	34,050	37,050	17,554	19,496
Local Meeting Expenses	53,900	54,900	25,141	29,759
Lodging	39,400	39,400	13,294	26,106
Per Diem	17,900	17,900	8,030	9,870
Total Travel and Meetings	<u>188,900</u>	<u>192,900</u>	<u>80,355</u>	<u>112,545</u>
Total Operating Expenditures	<u>12,938,302</u>	<u>13,546,522</u>	<u>10,695,875</u>	<u>2,850,646</u>
Total Provider Grants and Operating Expenditures	<u>197,416,227</u>	<u>198,024,447</u>	<u>167,715,282</u>	<u>30,309,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (70,660,352)</u>	<u>\$ (71,268,572)</u>	<u>\$ (26,493,225)</u>	<u>\$ 44,775,346</u>
Fund balance - Beginning of year			<u>875,270,635</u>	
Fund balance - End of year			<u>\$ 848,777,410</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, 2010**

NOTE 1 – BUDGET ADOPTION

Annually the Board of Commissioners adopts a budget in accordance with generally accepted accounting principal. The Board of Commissioners has given the Executive Director authority to make budget adjustments between line items in the Commission's Annual Operating Budget in an amount not to exceed \$25,000. Any budget adjustment between line items in excess of \$25,000 requires approval of the Operations Committee of the Board of Commissioners.

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

The information in this section is not covered by the Independent Auditor's Report, but it is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional statements, notes to financial statements, and required supplementary 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. 25-28

Revenue Capacity

These schedules contain trend information to help the reader assess the Commission's most significant revenue base. 29-30

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. 31-32

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. 33

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Restricted	\$ 859,235,103	\$ 881,019,859	\$ 885,944,312	\$ 846,935,336	\$ 801,601,230	\$ 748,426,669	\$ 684,537,664	\$ 630,304,788	\$ 548,038,507
Invested in capital assets, net of related debt	13,405,842	13,873,311	13,847,697	13,551,567	13,794,660	13,367,162	82,560	126,567	74,194
Total net assets	\$ 872,640,945	\$ 894,893,170	\$ 899,792,009	\$ 860,486,903	\$ 815,395,890	\$ 761,793,831	\$ 684,620,224	\$ 630,431,355	\$ 548,112,701

* Governmental Accounting Standards Board (GASB) Statement 34 was implemented by the Commission in fiscal year ended June 30, 2002.

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues									
Tobacco taxes	\$ 102,504,928	\$ 114,925,729	\$ 122,655,958	\$ 125,602,050	\$ 132,633,446	\$ 138,542,842	\$ 131,232,345	\$ 134,058,535	\$ 148,445,132
State School Readiness	19,011,847	15,445,577	15,098,348	11,563,470	15,343,412	11,820,145	-	-	-
State Commission Program Funds	7,162,800	6,438,881	5,673,958	2,300,312	1,490,053	1,202,599	-	-	-
Medical Administrative Activities	740,794	925,511	-	-	-	-	-	-	-
Investment income	16,094,660	28,102,852	34,996,079	42,823,178	30,799,531	13,158,681	8,520,520	-	-
Other revenues	465,061	453,762	467,302	290,768	314,658	434	-	12,075,618	15,705,615
Total revenues:	<u>\$ 145,980,090</u>	<u>\$ 166,292,312</u>	<u>\$ 178,891,645</u>	<u>\$ 182,579,778</u>	<u>\$ 180,581,100</u>	<u>\$ 164,724,701</u>	<u>\$ 139,752,865</u>	<u>\$ 146,134,153</u>	<u>\$ 164,150,747</u>
Expenses									
Provider grants and other allocations	\$ 157,019,407	\$ 160,239,867	\$ 130,894,482	\$ 129,614,460	\$ 119,067,100	\$ 92,727,156	\$ 79,133,367	\$ 57,137,029	\$ 26,299,583
Salaries and benefits	8,818,136	8,161,291	6,638,952	5,841,908	5,822,732	5,250,528	4,809,497	4,672,247	3,858,391
Operating services	832,164	1,090,947	693,968	855,192	860,634	933,586	951,337	890,097	1,387,808
Consultant services	677,379	653,301	415,736	415,822	531,042	129,320	128,168	201,551	109,575
Professional services	208,008	400,036	276,610	204,353	232,044	310,463	431,267	793,817	255,807
Other expenses	80,355	69,045	90,880	85,332	191	275,395	66,353	96,027	101,788
Depreciation	596,868	576,664	575,911	471,698	465,298	144,934	44,007	24,731	142,765
Total expenses:	<u>\$ 168,232,317</u>	<u>\$ 171,191,151</u>	<u>\$ 139,586,539</u>	<u>\$ 137,488,765</u>	<u>\$ 126,979,041</u>	<u>\$ 99,771,382</u>	<u>\$ 85,563,996</u>	<u>\$ 63,815,499</u>	<u>\$ 32,155,717</u>
Change in net assets	<u>\$ (22,252,227)</u>	<u>\$ (4,898,839)</u>	<u>\$ 39,305,106</u>	<u>\$ 45,091,013</u>	<u>\$ 53,602,059</u>	<u>\$ 64,953,319</u>	<u>\$ 54,188,869</u>	<u>\$ 82,318,654</u>	<u>\$ 131,995,030</u>

* Governmental Accounting Standards Board (GASB) Statement 34 was implemented by the Commission in fiscal year ended June 30, 2002.

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Reserved						
Reserved for encumbrances	\$ 129,094,693	\$ 341,203,752	\$ 504,505,166	\$ 639,223,219	\$ 679,128,690	\$ 699,098,261
Reserved for obligations	189,699,943	45,820,595	52,670,634	13,125,130	39,107,652	714,865
Reserved for First 5 California	19,004,928	30,050,843	52,161,039	31,794,550	60,712,820	43,817,472
Total reserved	<u>\$ 337,799,564</u>	<u>\$ 417,075,190</u>	<u>\$ 609,336,839</u>	<u>\$ 684,142,899</u>	<u>\$ 778,949,162</u>	<u>\$ 743,630,598</u>
Unreserved						
Designated	\$ 249,875,172	\$ 284,028,356	\$ 272,696,682	\$ 162,356,525	\$ 1,298,235	\$ -
Undesignated	261,102,674	174,167,089	-	-	18,384,748	-
Total fund balances	<u>\$ 848,777,410</u>	<u>\$ 875,270,635</u>	<u>\$ 882,033,521</u>	<u>\$ 846,499,424</u>	<u>\$ 798,632,145</u>	<u>\$ 743,630,598</u>

* Fund financial statements were not prepared for fiscal years 2004 - 2002.

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Revenues						
Tobacco taxes	\$ 102,504,928	\$ 114,925,729	\$ 122,655,958	\$ 127,012,312	\$ 131,223,184	\$ 138,542,842
State School Readiness	19,011,847	15,445,577	15,098,348	13,534,763	17,640,707	7,551,557
State Commission Program Funds	2,441,868	4,633,722	2,198,287	1,480,228	2,217,327	475,325
Medical Administrative Activities	740,794	925,511	-	-	-	-
Investment income	16,094,660	28,102,852	34,996,079	42,823,178	30,799,531	13,158,681
Other income	427,960	415,048	428,588	252,054	506,613	434
Total revenues:	<u>\$ 141,222,057</u>	<u>\$ 164,448,439</u>	<u>\$ 175,377,260</u>	<u>\$ 185,102,535</u>	<u>\$ 182,387,362</u>	<u>\$ 159,728,839</u>
Expenses						
Provider grants and other allocations	\$ 157,019,407	\$ 160,239,867	\$ 130,894,482	\$ 129,614,460	\$ 119,067,100	\$ 92,727,156
Salaries and benefits	8,774,370	8,155,851	6,599,446	5,831,492	5,802,008	5,243,147
Operating services	832,164	1,090,947	693,968	855,192	860,634	933,586
Consultant services	677,379	653,301	415,736	415,822	531,042	129,320
Professional services	208,008	400,036	276,610	204,353	232,044	310,463
Other expenses	80,355	69,045	90,880	85,332	191	275,395
Capital lease payments	-	-	-	-	-	8,498,702
Capital outlay	123,599	602,278	872,041	228,605	892,796	4,930,834
Total expenditures:	<u>\$ 167,715,282</u>	<u>\$ 171,211,325</u>	<u>\$ 139,843,163</u>	<u>\$ 137,235,256</u>	<u>\$ 127,385,815</u>	<u>\$ 113,048,603</u>
Excess of revenues over expenditures	<u>\$ (26,493,225)</u>	<u>\$ (6,762,886)</u>	<u>\$ 35,534,097</u>	<u>\$ 47,867,279</u>	<u>\$ 55,001,547</u>	<u>\$ 46,680,236</u>

* Fund financial statements were not prepared for fiscal years 2004 - 2002.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FIRST 5 CALIFORNIA COUNTY TAX REVENUE PROJECTIONS FOR
FY 2008/2009 – FY 2012/2013**

2006 Projected Births	2006 Projected Birthrate	2008-2009 Tax Revenue Projection	2007 Projected Births	2007 Projected Birthrate	2009-2010 Tax Revenue Projection	2008 Projected Births	2008 Projected Birthrate	2010-2011 Tax Revenue Projection	2009 Projected Births	2009 Projected Birthrate	2011-2012 Tax Revenue Projection	2010 Projected Births	2010 Projected Birthrate	2012-2013 Tax Revenue Projection
151,837	27.010%	\$ 109,823,011	151,813	26.816%	\$ 105,681,114	153,951	26.819%	\$ 103,764,710	155,918	26.823%	\$ 100,305,927	157,801	26.827%	\$ 97,140,240

Source:
 "First 5 California County Tax Revenue Projections for FY 2008/09 to 2012/13"
 (Updated 5/21/09 utilizing DOF May 2009 tobacco tax projections and DOF 2008 Birth Projections for California State and Counties 1990-2017)

**LOS ANGELES COUNTY CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE, 1059-60 TO 2008-09
(In thousands of dollars)**

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
					6	7
1	2	3	4	5	6	7
2008-09	\$912,724,000	\$7,819,000	\$920,543,000	\$626,000	\$85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	50,037,000	52.65%
2000-01	1,110,692,000	9,503,000	1,120,195,000	8,741,000	52,834,000	54.89%
1999-00	1,166,880,000	9,980,000	1,176,859,000	9,413,000	66,884,000	66.50%
1998-99	841,911,000 e/	7,206,000	849,117,000	6,808,000	42,137,000 f/	61.53%
1997-98	612,066,000	5,244,000	617,309,000	5,448,000	39,617,000	29.37%
1996-97	629,579,000	5,394,000	634,973,000	5,060,000	41,590,000	30.38%
1995-96	639,030,000	5,469,000	644,499,000	6,449,000	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 column 5).
- 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. Excludes \$57,927,856 in 1988-89 and \$595,000 in 1989-90 from the floor stocks tax levied on January 1, 1989.
- i. Effective August 1, 1967, the tax rate was increased from 3 cents to 7 cents per pack. On October 1, 1967, the rate was further increased to 10 cents per pack, with the stipulation that 30 percent of the tax be allocated to cities and counties. Includes \$6,515,209 from the 4-cent-per-pack floor stocks tax levied on August 1, 1967; and \$4,889,485 from the 3-cent-per-pack floor stocks tax imposed October 1, 1967.
- j. Refunds made for distributors' discounts in the 1960-61 fiscal year on purchases made in the 1959-60 fiscal year have been deducted. These refunds amounted to \$324,000.
- k. Effective July 1, 1960, a discount was allowed at the time tax indicia were purchased.
- l. Includes \$2,673,048 from the 3-cent per pack floor stocks tax imposed July 1, 1959; and also includes the amount of distributors' discounts which were refunded after purchase of indicia. During July and August of 1959, the tax was collected by invoice and no discount was allowed on these collections of \$8,123,700, nor on the \$2,673,048 tax on floor stock.

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

Source: State Board of Equalization 2008 - 2009 Annual Report (published June 2010)

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

Demographic	2000**	2001**	2002**	2003**	2004**	2005**	2006**	2007**	2008**	2009**
Total Population	9,578,960	9,747,138	9,910,245	10,046,518	10,152,410	10,216,326	10,262,451	10,323,161	10,385,372	10,449,155
White	3,045,819	3,050,717	3,055,097	3,056,381	3,052,367	3,038,609	3,010,955	2,987,008	2,962,811	2,938,369
Hispanic	4,273,914	4,379,277	4,482,535	4,578,294	4,666,225	4,743,483	4,805,246	4,870,855	4,938,416	5,008,069
Asian	1,165,096	1,208,951	1,251,415	1,282,043	1,300,190	1,300,915	1,317,476	1,338,055	1,358,357	1,378,338
Black	910,077	914,075	917,014	916,627	912,476	904,314	896,702	891,788	886,951	882,167
Other/Multi-Race	184,054	194,118	204,184	213,173	221,152	229,005	232,072	235,455	238,837	242,212
Pacific Islander	24,489	25,146	25,817	26,295	26,630	26,902	27,438	27,962	28,482	29,001
American Indian	27,187	28,143	29,051	29,566	29,718	29,778	29,946	30,240	30,530	30,808
Multi-race	132,378	140,829	149,316	157,312	164,804	172,325	174,688	177,253	179,825	182,403
Female	4,842,169	4,919,557	4,994,678	5,058,261	5,108,508	5,140,037	5,165,895	5,198,625	5,232,179	5,266,592
Male	4,736,791	4,827,581	4,915,567	4,988,257	5,043,902	5,076,289	5,096,556	5,124,536	5,153,193	5,182,563
Under 5 years	741,504	748,470	755,786	763,337	767,215	764,461	742,770	729,803	720,489	716,228
5-9 years	811,329	822,059	823,921	813,421	796,245	773,347	758,263	749,949	747,151	744,818
10-14 years	734,433	771,090	810,282	842,755	864,411	869,466	856,975	832,134	800,590	769,538
15-19 years	679,674	673,029	672,204	682,149	703,708	736,847	777,709	817,454	849,439	870,100
20-24 years	691,296	670,967	655,165	648,697	645,782	648,351	661,394	676,027	697,008	725,816
25-29 years	766,208	730,840	696,898	666,893	646,632	636,522	642,294	652,625	666,494	677,682
30-39 years	1,605,200	1,631,593	1,645,157	1,639,147	1,614,537	1,577,319	1,538,523	1,501,962	1,461,770	1,420,833
40-49 years	1,371,304	1,427,958	1,482,825	1,528,835	1,564,750	1,582,995	1,588,045	1,590,306	1,590,284	1,592,529
50-59 years	929,629	982,852	1,035,373	1,083,196	1,131,191	1,178,904	1,218,471	1,250,589	1,283,334	1,315,677
60-69 years	571,462	591,060	616,516	644,826	670,752	692,409	716,567	753,415	790,751	827,207
70-79 years	436,270	443,246	448,189	451,891	453,684	454,246	454,167	456,043	460,050	466,110
80+ years	240,651	253,974	267,929	281,371	293,503	301,459	307,273	312,854	318,012	322,617

Source:

* US Census Bureau, 2000 Census, SF1

** California Department of Finance, Demographic Research Unit (data are projections calculated between census surveys)

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CHILDREN’S SCORECARD – LOS ANGELES COUNTY TRENDS
2002-2006**

	2002	2003	2004	2005	2006
GOOD HEALTH					
Total live births	151,167	152,192	151,504	150,377	151,837
Newborns with low birthweight (less than 5.5 pounds)	6.8%	7.1%	7.1%	7.3%	7.4%
Newborns with very low birthweight (less than 3.3 pounds)	1.3%	1.3%	1.3%	1.3%	1.2%
Births with prenatal care in the first trimester	87.6%	89.8%	89.9%	90.4%	90.3%
Children ages 0-17 with health insurance	-	89.9%	na	91.7%	93.0%*
Children adequately immunized at age 2	72.8%	73.6%	70.0%	75.2%	76.1%*
Child obesity in 5th, 7th, 9th grades	20.9%	21.9%	22.2%	23.3%	22.9%*
Children exposed to tobacco smoke at home	-	-	-	-	13.2%*
Children with current asthma	-	8.1%	-	8.8%	7.9%*
Children with special health care needs	na	15.4%	na	15.7%	-
Child deaths (ages 1-17)	561	560	540	546	525
Teen birth rate (per 1,000 females ages 10-17)	9.1	8.4	8.1	8.3	8.3
Rate of repeat births to teens (per 1,000 females ages 15-19)	8.8	7.9	7.8	6.9	7.4
SAFETY AND SURVIVAL					
DCFS child abuse and neglect referrals	161,642	162,362	154,993	156,832	162,712
DCFS substantiated child abuse and neglect referrals***	26,555	23,243	21,924	20,581	19,264
Domestic violence-related calls to police for assistance	56,452	52,790	48,041	45,684	43,508
Youth hospitalizations from preventable injuries	6,878	6,794	6,527	5,878	6,022
Homicide victims ages 0-17	238	239	266	123	139
ECONOMIC WELL-BEING					
Children below 100% Federal Poverty Level (FPL)	620,653	603,012	628,865	629,759	659,354
Percent of children below 100% Federal Poverty Level	22.5%	21.7%	22.5%	22.5%	23.5%
Low-income children (family income <200% FPL)	1,220,483	1,192,680	1,231,006.0	1,242,159.0	1,317,669.0
Percent of low-income children (family income <200% FPL)	44.3%	43.0%	44.1%	44.4%	46.9%
Families below poverty level, one or both spouses employed (2005, 2006, 2007)	-	-	0.724	0.745	0.707
Children supported by CalWORKs***	360,530	337,890	336,897	317,592	294,563
Students enrolled in subsidized school lunch program	61.8%	62.2%	62.6%	64.3%	61.9%
Value of Earned Income Tax Credits claimed	\$1,489,941,802	\$1,443,504,707	\$1,453,194,161	\$1,467,509,737	-
Median income of families with children	\$49,697	\$50,598	\$53,431	\$56,930	\$60,264
Young adults in school or employed (ages 18-24)	-	-	-	82.5%	77.6%*
Homeless children ages 0-17 in families	-	-	-	11,899**	11,222*
Homeless unaccompanied youth under age 18 (LAHSA area only)	-	-	-	1,394	1,184*
SOCIAL AND EMOTIONAL WELL-BEING					
Parents of children 0-5 with difficulty finding child care	-	-	-	-	36.9%
Library children's storytime attendance	323,378	-	299,210	-	376,003
Children who watch television 3 or more hours per day	-	27.1%	-	29.2%	23.2%*
DCFS children in out-of-home care (foster and kin)***	27,082	24,693	22,153	21,248	20,454
DCFS children placed in adoptive homes during the calendar year	2,138	1,842	2,273	2,281	2,236
Probation youth in out-of-home placement***	-	1,555	1,767	2,276	2,494
Probation youth living at home***	-	-	-	20,193	21,522
Probation youth detained in probation camps***	-	-	-	1,964	1,779
Probation youth detained in juvenile halls***	-	-	-	1,479	1,619
EDUCATION AND WORKFORCE READINESS					
Births to mothers with 12+ years of education	64.6%	66.8%	66.8%	67.4%	-
Births to fathers with 12+ years of education	60.6%	67.8%	67.6%	68.0%	-
Public school enrollment (school year)	1,736,338	1,742,873	1,734,125	1,708,064	1,673,257
Private school enrollment (school year)	208,218	203,896	200,051	199,898	193,297
Students in special education	173,490	175,353	173,152	172,484	170,184
Students who are English language learners	33.8%	33.5%	32.4%	31.1%	29.9%
Children in households where no adult speaks English	-	-	-	15.7%	16.6%
English learners redesignated (passed English proficiency test)	5.30%	7.1%	9.1%	9.9%	11.5%
Students proficient or advanced in reading - 3rd grade	27%	28%	30%	31%	32%
Students proficient or advanced in math - 3rd grade	49%	50%	51%	52%	54%

* 2007 data

** 2005 data does not include Glendale, Pasadena, Long Beach; 2007 data includes these areas

*** Year-end count

- Data not available

All education data is for public schools except line 54 ("Private school enrollment")

Source: 2008 Los Angeles County Children's ScoreCard (compiled and presented by The Children's Council of Los Angeles County)

Information prior to 2002 is not available

**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.



**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 the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (the Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 1, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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*.

We noted certain matters that we reported to management of the Commission in a separate letter dated October 1, 2010

This report is intended solely for the information and use of management, the County Board of Supervisors, Board of Commissioners, Commission management, California Children and Families Commission, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Rancho Cucamonga, California

October 1, 2010



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of the Los Angeles County Children and Families First – Proposition Commission (the Commission), a component unit of the County of Los Angeles, as of and for the year ended June 30, 2010 and have issued our report thereon dated October 1, 2010.

Our audit was conducted 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 California Counties Participating in the First 5 Program, issued by the State Controller's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Commission's management is responsible for the Commission's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the laws and regulations applicable to the following items.

Table with 3 columns: Description, Audit Guide Procedures, and Procedures Performed. Rows include Contracting and Procurement, Administrative Costs, Conflict of Interest, County Ordinance, Long-range Financial Plans, Financial Condition of the Commission, Program Evaluation, and Salaries and Benefit Policies.

Based on our audit we found that, for the items tested, the Commission complied with the laws and regulations of the items referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Commission had not complied with the laws and regulations of the First 5 Program. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

This report is intended solely for the information of the County Board of Supervisors, Board of Commissioners, the County Commission, Commission management, California Children and Families Commission, State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Vavrinch, Train, Douglas Co, LLP

Rancho Cucamonga, California
October 1, 2010