

**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, 2011



Champions For Our Children

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CHILDREN AND FAMILIES
FIRST – PROPOSITION 10 COMMISSION**
(a Component Unit of the
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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Tracey L. Hause

Director of Finance

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FOR THE YEAR ENDED JUNE 30, 2011**

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FIRST 5 LA

Commissioners

Michael D. Antonovich, Mayor, Los Angeles County Supervisor, Chair

Jonathan E. Fielding, M.D., M.P.H., Vice Chair

Nancy Au

Jane Boeckmann

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

Alma Martinez

Evangelina “Angie” Stockwell, Ed.D.

Marvin Southard, D.S.W.

Antronette K. Yancey, M.D., M.P.H.

Ex-Officio Commissioners

Duane Dennis

Deanne Tilton

Harriette F. Williams, Ed.D.

Alternate Commissioners

William Arroyo

Cynthia “Cindy” Harding

Chief Executive Officer

Evelyn V. Martinez

Department Chiefs

Yolanda Bosch, Chief Administrative Officer

Dr. Antonio J. Gallardo, Chief Program Officer

Department Directors

Carol Baker, Policy

Roozbeh Hamouni, Information Technology

Tracey L. Hause, Finance

Elizabeth Iida, Program Development

Armando Jimenez, Research & Evaluation

Magdalena Martinez, Human Resources

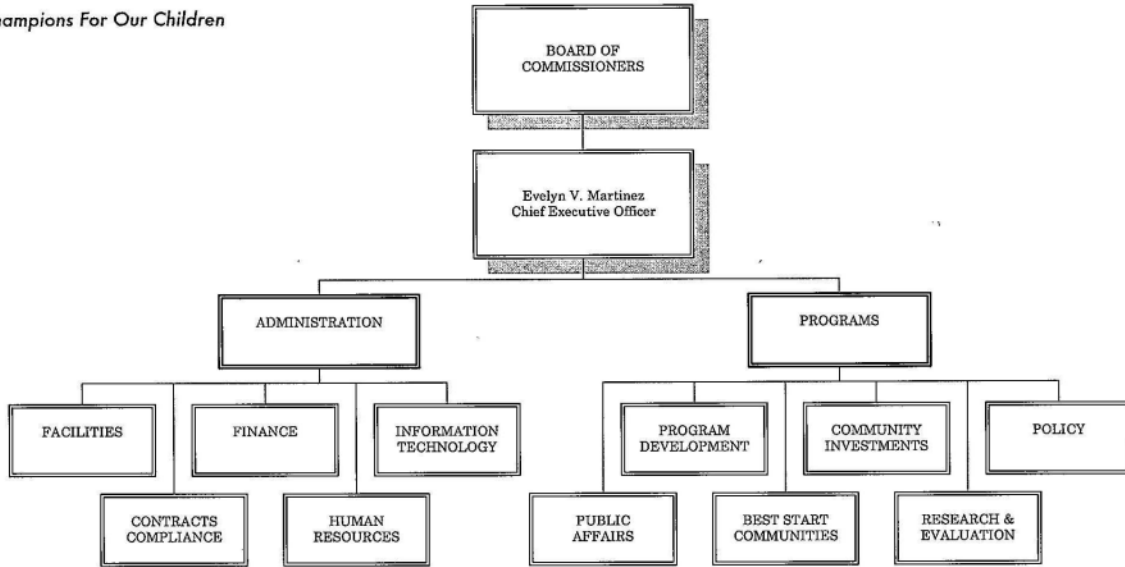
Teresa Nuno, Community Investments

Francisco Oaxaca, Public Affairs

Randi Wolfe, Best Start Communities



Champions For Our Children



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Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



Linda C. Danison

President

Jeffrey R. Emery

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, 2011, 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 the general fund of the Commission, as of June 30, 2011, 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.

As described in Note 1 to the Financial Statements, the Commission adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, 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 9 and the budgetary comparison schedule on page 23 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 section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section 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, Day & Co., LLP

Rancho Cucamonga, California

October 7, 2011

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, 2011. Please read in conjunction with the Commission’s basic financial statements and accompanying notes.

Financial Highlights

- The Commission received \$136,667,602 from the State compared to \$128,679,575 received in the prior fiscal year, an increase of \$7,988,027 or 6.21%.
- The Commission had expenses totaling \$574,790,246 in FY 2010-11, which is an increase of \$406,557,929 or 241.66% compared to \$168,232,317 in FY 2009-10.
- Assembly Bill 99 (“AB 99”) was enacted in March 2011, allowing the State to take 50% of the Commission’s FY 2009-10 fund balance. Because the result of legal action taken against AB 99 is unclear at this time, the Commission chose to record a liability in the amount of \$424,388,705.
- The Commission’s total liabilities and net assets increased from \$894,705,849 in FY 2009-10 to \$900,154,179 in FY 2010-11, an increase of \$5,448,330 or .61%.
- The Commission’s liabilities increased from \$22,064,904 in FY 2009-10 to \$452,833,494 in FY 2010-11, a total increase of \$430,768,590 or 1,952.28%.

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 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.

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

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 assets comparing FY 2010-11 with FY 2009-10:

	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Percent Increase (Decrease)</u>
Assets:			
Current and other assets	\$ 887,039,985	\$ 881,300,007	0.65%
Capital assets	13,114,194	13,405,842	-2.18%
Total assets	<u>\$ 900,154,179</u>	<u>\$ 894,705,849</u>	0.61%
Liabilities:			
Long-term liabilities	\$ 337,680	\$ 292,501	15.45%
Other liabilities	28,107,109	21,772,403	29.10%
AB99 State Legislation	424,388,705	-	-
Total liabilities	<u>452,833,494</u>	<u>22,064,904</u>	1952.28%
Net Assets:			
Invested in capital assets	13,114,194	13,405,842	-2.18%
Restricted	434,206,491	859,235,103	-49.47%
Total net assets	<u>447,320,685</u>	<u>872,640,945</u>	-48.74%
Total liabilities and net assets	<u>\$ 900,154,179</u>	<u>\$ 894,705,849</u>	0.61%

The Commission’s total assets of \$900,154,179 increased by \$5,448,330 million compared with the prior year. The increase in current and other assets is approximately \$5.7 million. Although the year to date expenses exceeded revenue, the total assets have a .61% change from FY 2009-10 to FY 2010-11. The key contributing factor for expenses higher than revenue is due to the recognition of the liability as a result of Assembly Bill 99 (“AB 99”).

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

On March 24, 2011, the Governor signed AB99 into law. AB99 established the Children and Families Health and Human Services Fund (the "Fund"). As specified in the legislation, the Fund will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires \$1 billion of the combined state and local children and families funds to be deposited in the Fund for the 2011-12 fiscal year. The amount required from each of the First 5 commission represents 50% of the Fund Balance as of June 30, 2010. For the Los Angeles County Children and Families Commission the liability was booked in the amount of \$424,388,705 which is due by June 30, 2012.

Other liabilities increased by 29.10% primarily as a result of year-end grantee accruals being significantly higher than in the prior year.

The \$291,648 decrease in capital assets was due to continued depreciation of the Agency's fixed assets. The depreciation expense for FY 2010-11 was \$585,814. Additional information on capital assets can be found in Note 3 of this report.

The following is a summary of the Commission's revenues, expenses and change in net assets comparing FY 2010-11 with FY 2009-10:

	FY 2010-11	FY 2009-10	Percent Increase (Decrease)
Revenues:			
Program revenues:			
Tobacco taxes	\$ 100,269,182	\$ 102,504,928	-2.18%
State School Readiness	28,465,232	19,011,847	49.72%
Other State Commission Program Funds	7,933,188	7,162,800	10.76%
Medi-Cal Administrative Activities	507,869	740,794	-31.44%
Total program revenues	<u>137,175,471</u>	<u>129,420,369</u>	5.99%
General revenues:			
Investment income	12,004,422	16,094,660	-25.41%
Other income	290,093	465,061	-37.62%
Total general revenues	<u>12,294,515</u>	<u>16,559,721</u>	-25.76%
Total revenues	<u>149,469,986</u>	<u>145,980,090</u>	2.39%
Expenses:			
Provider grants and other allocations	133,261,213	157,019,407	-15.13%
F5 CA SRI	2,506,120	-	-
Salaries and benefits	10,685,423	8,818,136	21.18%
Operating services	1,324,708	832,164	59.19%
Consultant services	1,523,221	677,379	124.87%
Professional services	398,819	208,008	91.73%
Other expenses	116,223	80,355	44.64%
Depreciation	585,814	596,868	-1.85%
Total expenses	<u>150,401,541</u>	<u>168,232,317</u>	-10.60%
Extraordinary Item:			
Due to the State of California - AB 99	<u>(424,388,705)</u>	-	-
Change in net assets:	(425,320,260)	(22,252,227)	1811.36%
Net assets – beginning	<u>872,640,945</u>	<u>894,893,172</u>	-2.49%
Net assets – ending	<u>\$ 447,320,685</u>	<u>\$ 872,640,945</u>	-48.74%

Management's Discussion and Analysis (Unaudited)

Revenues

The Commission received total revenues of approximately \$149.5 million in FY 2010-11, which was an increase of \$3.5 million, or 2.39% compared with the prior year's total revenues of \$146.0 million. This increase in Commission revenue is due to the following:

Tobacco Tax

Tobacco tax revenue decreased from \$102.5 million in FY 2009-10 to \$100.3 million in FY 2010-11, a reduction of \$2.2 million or 2.18%. This decrease is primarily due to the decrease in sales of tobacco products 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 \$19.0 million in FY 2009-10 to \$28.5 million in FY 2010-11, an increase of \$9.5 million. This increase is due to additional grant funds made available from First 5 California as a result of the rollover monies from a previous year's School Readiness program funding cycle.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities Program decreased from \$0.7 million in FY 2009-10 to \$0.5 million in FY 2010-11. 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 decrease is a result of less activity for this program than in the prior year.

Investment Income

The Commission earned \$12.0 million of investment income in FY 2010-11, which was a decrease of \$4.1 million or 25.41% compared to the \$16.1 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 second floor of the building it owns. The revenue decreased by 37.62% to \$290,093 in FY 2010-11 in comparison to \$465,061 received in FY 2009-10. The decrease is a result of the lease with LAUP expiring in February 2011 not being renewed by mutual agreement.

Expenses

The Commission expended approximately \$574.8 million in FY 2010-11 compared to \$168.2 million in FY 2009-10, an increase of \$406.6 million or 241.66%. The increase in overall expenditures is primarily due to the following:

Salaries and Benefits

The increase in salaries and benefits is primarily due to fewer vacancies and additional staff added in FY 2010-11 as part of the implementation of the FY 2009-15 Strategic Plan

Operating Services

Operating services are higher than prior year due to the increase in operational support for additional staffing, second floor improvements, and the timing of the payment for Workers' Compensation Insurance premium of approximately \$60,000 for FY 2010-11 that was paid in June 2010.

Management's Discussion and Analysis (Unaudited)

Professional Services

The increase in professional services from prior year is due to higher legal fees related to the legal action the Commission has taken against AB 99 and the special audit directed by the Board of Commissioners.

Consulting Services

Consulting services more than doubled as a result of additional resources made available from First 5 California for School Readiness. The additional resources were utilized for technical support and capacity building within the 42 School Readiness sites.

Extraordinary Item

The State of California continues to experience fiscal difficulties. AB99 was enacted to allow the State to take 50% of FY 2009-10 fund balance from the Los Angeles County Children and Families. Because the result of legal action taken is unclear at this time, the Commission chose to record the liability, acknowledging that this may have a long lasting impact on its financial condition. The Commission believes that if AB 99 is not overturned, there will not be sufficient cash balance to sustain the current Strategic Plan and other Countywide Augmentation Projects that were allocated in the 2010-11 FY.

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

Actual Tobacco tax revenue of \$102.3 million compared to the amount budgeted of \$97.3 million is 5% higher than originally anticipated. The original estimate was based on data from the State Board of Equalization dated June 2010.

School Readiness

The Commission historically has not budgeted for School Readiness Funds as First 5 California has advanced funds for this program. As a result, a variance from budgeted to actual variance is reflected.

Investment Income

The interest rate was lower than projected and earnings on the portfolio were less than anticipated due to declining idle cash balances, less diversification in the portfolio, and an overall lower rate of return this fiscal year than in the prior year.

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:

Mileage Expense

Additional costs were anticipated for mileage expense as a result of the Best Start Communities' staff participating in numerous Community events.

Management's Discussion and Analysis (Unaudited)

Office Supplies

Additional costs were incurred for office supplies as a result of additional staffing with the implementation of the FY 2009-15 Strategic Plan.

Capital Outlay

Additional costs were incurred due to improvements to the second floor when First 5 LA took possession after the lease with LAUP was not renewed.

Professional Development

Additional costs were incurred as a result of an expanded program from the previous year's School Readiness program funding cycle.

Consultant Fees

Additional costs were incurred as a result of an expanded program from the previous year's School Readiness program funding cycle.

Conference – Registration Fees

Additional costs were incurred as a result of an expanded program from the previous year's School Readiness program funding cycle.

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 due to the delay in the implementation of the Strategic Plan, lower enrollment fees for Healthy Kids and lower costs for the Oral Health Community Development initiative than originally anticipated.

Personnel Related Expenditures

The positive variance is primarily due to the Commission not having to match employees' contributions to their 403(b) retirement accounts at a level that was budgeted and new and vacant positions not being filled as quickly as originally anticipated.

Los Angeles County Overhead

The positive variance is primarily due to lower claims Los Angeles County processed on behalf of First 5 LA under the Medi-Cal Administrative Activities program and a lower participation rate than anticipated.

Contingency

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

Legal Fees

The negative variance is due to the Commission's decision to join with other First 5 county commissions in litigation to overturn AB 99.

Consultant Fees & Professional Fees

The positive variance in consultant fees and professional fees is primarily due to expenses being less than expected mostly in the area of School Readiness.

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

Other Potentially Significant Matters

The State projects a continuing decrease of State Tax Allocations revenue. The projected annual revenue decrease is estimated to be 4.0% through FY 2011-12.

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, 2011

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 2,936,964	\$ -	\$ 2,936,964
Investments	793,572,013	-	793,572,013
Investments - School Readiness	52,213,959	-	52,213,959
State receivable	18,183,015	7,837,475	26,020,490
Investment income receivable	1,573,013	-	1,573,013
Advances to grantees	10,723,546	-	10,723,546
Capital assets:			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	11,075,194	11,075,194
Total assets	<u>\$ 879,202,510</u>	<u>\$ 20,951,669</u>	<u>\$ 900,154,179</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 25,552,659	\$ -	\$ 25,552,659
Due to State of California - AB 99	424,388,705	-	424,388,705
First 5 California (SRI)	2,506,120	-	2,506,120
Compensated absences:			
Due within one year	-	48,330	48,330
Due in more than one year	-	337,680	337,680
Total liabilities	<u>452,447,484</u>	<u>386,010</u>	<u>452,833,494</u>
Fund balance/net assets			
Fund balance			
Nonspendable	10,723,546	(10,723,546)	-
Committed	632,471,832	(632,471,832)	-
Unassigned	(216,440,352)	216,440,352	-
Total fund balance	<u>426,755,026</u>	<u>(426,755,026)</u>	<u>-</u>
Net assets			
Invested in capital assets	-	13,114,194	13,114,194
Unrestricted	-	434,206,491	434,206,491
Total net assets	<u>-</u>	<u>447,320,685</u>	<u>447,320,685</u>
Total liabilities and fund balances/net assets	<u>\$ 879,202,510</u>	<u>\$ 20,951,669</u>	<u>\$ 900,154,179</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, 2011

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
Revenues			
Program revenues			
Tobacco taxes	\$ 100,269,182	\$ -	\$ 100,269,182
State School Readiness	39,242,565	(10,777,333)	28,465,232
State Commission Program Funds	95,713	7,837,475	7,933,188
Medi-Cal Administrative Activities	507,869	-	507,869
Total program revenues	<u>140,115,329</u>	<u>(2,939,858)</u>	<u>137,175,471</u>
General revenues			
Investment income	12,004,422	-	12,004,422
Other revenues	290,093	-	290,093
Total general revenues	<u>12,294,515</u>	<u>-</u>	<u>12,294,515</u>
Total revenues	<u>152,409,844</u>	<u>(2,939,858)</u>	<u>149,469,986</u>
Expenditures/expenses			
Provider grants and other allocations	133,261,213	-	133,261,213
First 5 California (SRI)	2,506,120	-	2,506,120
Salaries and benefits	10,619,053	66,370	10,685,423
Operating services	1,324,708	-	1,324,708
Consultant services	1,523,221	-	1,523,221
Professional services	398,819	-	398,819
Other expenses	116,223	-	116,223
Capital outlay	294,166	(294,166)	-
Depreciation	-	585,814	585,814
Total expenditures/expenses	<u>150,043,523</u>	<u>358,018</u>	<u>150,401,541</u>
Excess of revenues over/(under) expenditures	2,366,321	-	-
Extraordinary Item			
Due to the State of California - AB 99	<u>(424,388,705)</u>	<u>-</u>	<u>(424,388,705)</u>
Change in Fund Balance	(422,022,384)	422,022,384	-
Change in Net Assets	-	(425,320,260)	(425,320,260)
Fund balance/net assets			
Beginning of year	848,777,410	23,863,535	872,640,945
End of year	<u>\$ 426,755,026</u>	<u>\$ 20,565,659</u>	<u>\$ 447,320,685</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, 2011**

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 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, 2011**

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 unrestricted net assets. At June 30, 2011, the Commission reported unrestricted net assets of \$447,320,685. Tobacco tax allocations to county commissions are not automatically categorized as restricted fund balance. This is because the purposes for which tobacco tax allocations may legally be used are no narrower than the purpose for which the commissions were created in Proposition 10 enabling legislation. The negative unassigned Fund Balance is discussed in Note 5.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to apply restricted net assets first.

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 \$13,114,194 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 \$294,166 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, 2011 amounted to \$585,814 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, 2011**

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, 2011 the Commission estimated its liability for vested compensated absences to be \$386,010. 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 \$66,370 is reported in the statement of activities and does not require the use of current financial resources.

State Receivable

This receivable represents accrued tobacco taxes revenues of amount of \$18,077,990, Power of Preschool revenue of \$7,800,000 and other miscellaneous revenues of \$142,500 from First 5 California.

Fund Balance and Net Assets

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. With the implementation of GASB 54 in FY 2010-2011, the Commission established the following classifications and definitions of fund balance for the year ended June 30, 2011:

a. Nonspendable

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

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 that require 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 allocating funding for a specific program or initiative.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

Fund Balance and Net Assets (Continued)

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, 2011 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.

Further, in accordance with GASB No. 34, the fund balance has been reclassified to funds invested in capital assets and unrestricted on the statement of net assets. The spending priority of fund balance is restricted, committed, then unassigned.

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.

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.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS

Total cash and investments at fair value, as of June 30, 2011 are as follows:

Cash:	
Cash on hand	\$ 158
Cash in bank	2,936,806
Total Cash	<u>2,936,964</u>
Investments with County Treasurer:	
Pooled cash and investments	793,572,013
Pooled cash and investments - School Readiness	52,213,959
Total Investments with County Treasurer	<u>845,785,972</u>
Total Cash and Investments	<u>\$ 848,722,936</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 percent of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2011, cash held by the financial institutions of \$7,163,744 was entirely insured and collateralized as described above. The book balance at June 30, 2011 was \$2,936,806.

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2011 are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. The fair value adjustment at June 30, 2011 increased the Commission's investment income by \$352,347. 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, 2011, the weighted average maturity for the County pool approximated 600 days and the County pool is not rated. For further information regarding the Los Angeles County Pool, refer to the Comprehensive Annual Financial Report of the County of Los Angeles.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Pooled Cash and Investments (Continued)

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

Type	Limit Per Issuer	Total Limit	Maximum Maturity	Minimum Legal Rating
Certificate of Deposits (CD)	5%	30%	3 Years	N/A
Commercial Paper (CP)	5%	40%	3 Years	A-1, P-1, F-1
Corporate Notes	5%	30%	3 Years	A
Federal Agencies	15%	60%	3 Years	N/A
U.S. Treasuries	100%	100%	3 Years	N/A
Money Market Funds	10%	20%	N/A	N/A
Los Angeles County Pooled Surplus Investment Fund	N/A	N/A	N/A	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.

NOTE 3 – CAPITAL ASSETS

The capital assets balance at June 30, 2011 consists of the following activity:

	Balance June 20, 2010	Increases	Decreases	Balance June 20, 2011
Capital assets not depreciated:				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets depreciable:				
Building and improvements	11,921,736	99,401	-	12,021,137
Computer software and accessories	1,614,180	25,765	(47,092)	1,592,853
Office equipment	178,361	-	-	178,361
Furniture and fixtures	458,670	169,000	-	627,670
Total Depreciable Capital Assets	14,172,947	294,166	(47,092)	14,420,021
Less accumulated depreciation:				
Building and improvements	(1,225,953)	(239,509)	-	(1,465,462)
Computer software and accessories	(986,662)	(291,008)	47,092	(1,230,578)
Office equipment	(173,679)	(9,153)	-	(182,832)
Furniture and fixtures	(419,811)	(46,144)	-	(465,955)
Total Accumulated Depreciation	(2,806,105)	(585,814)	47,092	(3,344,827)
Total Capital Assets, Depreciable (Net)	11,366,842	(291,648)	-	11,075,194
Capital Assets, Net	\$ 13,405,842	\$ (291,648)	\$ -	\$ 13,114,194

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 4 – CHANGES IN COMPENSATED ABSENCES

Compensated absences liability activities for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Compensated absences	\$ 319,640	\$ 459,556	\$ (393,186)	\$ 386,010	\$ 48,330

NOTE 5 – FUND BALANCE

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission established these fund balance classifications in FY 2010-11 and the balances for Committed fund balance at June 30, 2011 consist of the following:

Countywide Investments	
Data systems integration	\$ 90,000
Health access (Healthy Kids)	9,000,000
Information resource and referral (211)	1,050,000
Public policy	95,000
Resource mobilization	570,000
Workforce development - Career Development (LACOE)	3,772,765
Workforce development - Cares Plus	1,394,731
Workforce development - East LA College Child Care Providers	1,057,952
Workforce development - ECE Workforce Consortium	37,079,667
Workforce development - LAUP Workforce Initiative	12,000,114
Systematic challenges for autism epidemic	900,000
Black infant health	3,559,368
Cal-Learn	2,900,000
Connecting risk and perinatal services	200,000
Data partnership with funders	5,000,000
Ensuring perinatal health care coverage	2,800,000
Family education	13,100,000
Healthy food access	7,500,000
Improve the nutrition and physical activity environment in child care settings	6,197,400
Improve the nutrition and reduce obesity epidemic in children 0-5	35,000,000
Infant safe sleeping	1,500,000
One step ahead	30,000,000
Parent child interaction therapy	20,000,000
Peer support groups for parents	2,200,000
Substance abuse treatment services	15,000,000
Tot parks and trails	10,000,000
Universal assessment of newborns	54,100,000

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5 – FUND BALANCE (Continued)

Place Based Investments	
Community capacity building	2,990,710
Partnership development process	1,450,000
Prior Strategic Plan Investments	
Best start LA	39,185,162
Community opportunities fund	8,239,387
LAUP	253,212,202
Oral health community development	6,877,417
Oral health and nutrition	18,940,130
The Children's council	839,810
ARRA matching grants	2,338,939
Family friends and neighbors	500,000
Family literacy	1,905,000
Health births	2,300,000
High school recruitment	1,000,000
Partnership for families	5,330,000
School readiness	9,351,078
Research and Evaluation	1,945,000
	<hr/>
Total Committed	<u><u>\$ 632,471,832</u></u>

The committed Fund Balance exceeds Total Fund Balance by \$205,716,806. As a result, the Commission will be reviewing its committed Fund Balance in the 2011-12 fiscal year to consider reallocations in order to eliminate the negative Unassigned Fund Balance.

The nonspendable fund balance of \$10,723,546 represents the amount already advanced to Los Angeles Universal Preschool (LAUP) for FY 2011-12 operating expenses.

NOTE 6 – PROGRAM EVALUATION

The Commission spent \$5,150,165 on program evaluation during the year ended June 30, 2011.

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 \$228,109 for the fiscal year ended June 30, 2011.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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:

2012	37,768
2013	37,768
2014	<u>29,631</u>
Total	<u><u>\$142,935</u></u>

The Commission recognized \$37,768 in lease expense for the year ended June 30, 2011.

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 \$32.2 million in grantee expenses. Of the \$32.2 million State School Readiness Program expenses, the Commission is eligible to receive funding under the one-to-one match of \$16.1 million.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 10 – STATE SCHOOL READINESS PROGRAM (Continued)

The State funding for this program ends June 30, 2011. Once the close out process is complete in November 2011, it is anticipated approximately \$2.5 million will be due to First 5 California, as reflected in the Liability section of the Financial Statements.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Commission is required to use the County Treasurer for treasury and investment services and paid fees totaling approximately \$10,204 during the year ended June 30, 2011.

The Commission paid \$18,054,842 of provider grants to organizations which are represented by nine members of the Board of Commissioners. In addition, \$20,000 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. 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.

GASB Statement No. 59 – In December 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 did not have a material impact on the financial statements.

Effective in Future Fiscal Years

GASB Statement No. 61 – In December 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which amends its accounting and financial reporting standards for including, presenting, and disclosing information about governmental component units, including equity interests. It is designed to result in governmental financial statements that include all appropriate entities that a government is accountable for or financially intertwined with. The requirements of Statement 61 are effective for financial statements for periods beginning after June 15, 2012. The Commission has not yet determined the effect that this statement will have 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, 2011

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 62 – GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was issued by the GASB in December 2010, significantly reduces the need to rely on sources outside of the GASB’s literature to locate the necessary accounting guidance for the governmental environment. Statement 62 specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. The requirements of Statement 62 are effective for financial statements for periods beginning after December 15, 2011. The Commission has not yet determined the effect that this statement will have on the financial statements.

GASB Statement No. 63 – In July 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Ultimately, this new framework will serve to standardize the presentation of deferred balances and their effects on a government’s net position and address uncertainty related to their display. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Commission has not yet determined the effect that this statement will have on the financial statements.

GASB Statement No. 64 – In July 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53). Statement 64 will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011. The Commission has not yet determined the effect that this statement will have on the financial statements.

NOTE 13 – EXTRAORDINARY ITEM

On March 24, 2011, the Governor signed Assembly Bill 99 (“AB 99”) into law. AB 99 established the Children and Families Health and Human Services Fund (the “Fund”). As specified in the legislation, the Fund will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires \$1 billion of the combined state and local children and families funds to be deposited in the Fund for the 2011-12 fiscal year. The amount required from each First 5 commission represents 50% of the fund balance as of June 30, 2010. For the Los Angeles County Children and Families Commission, the AB 99 liability amount is \$424,388,705 and is due by June 30, 2012. In accordance with the legislation, no 2012-13 commission revenues will be paid until the full AB 99 payment is made. Accordingly, the commission has accrued the AB 99 obligation as a liability at June 30, 2011. The expense has been recorded as an extraordinary item. A lawsuit has been filed by the Commission against the State challenging that the AB 99 bill violates the intent of Proposition 10.

**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, 2011**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tobacco taxes	\$ 97,318,635	\$ 97,318,635	\$ 100,269,182	\$ 2,950,547
State School Readiness	-	-	39,242,565	39,242,565
State Commission Program Funds	-	-	95,713	95,713
Medi-Cal Administrative Activities	-	-	507,869	507,869
Investment income	15,078,104	15,078,104	12,004,422	(3,073,682)
Other revenues	<u>252,993</u>	<u>252,993</u>	<u>290,093</u>	<u>37,100</u>
Total revenues	<u>112,649,732</u>	<u>112,649,732</u>	<u>152,409,844</u>	<u>39,760,112</u>
Expenditures				
Program Costs				
Provider grants and other allocations	162,925,000	162,925,000	133,261,213	29,663,787
State Claim				
AB 99	-	-	424,388,705	(424,388,705)
First 5 California (SRI)	-	-	2,506,120	(2,506,120)
Operations & Administration				
Personnel related expenditures				
Salaries and wages	8,064,450	9,784,044	8,734,698	1,049,346
Fringe Benefits	<u>2,293,247</u>	<u>3,073,602</u>	<u>1,884,355</u>	<u>1,189,247</u>
Total Personnel Related Expenditures	<u>10,357,697</u>	<u>12,857,646</u>	<u>10,619,053</u>	<u>2,238,593</u>
General Operating Expenditures				
ADP Payroll Charges	18,000	23,000	21,825	1,175
Workers Compensation Insurance	62,000	62,000	57,354	4,646
Corporate Insurance	56,000	56,000	56,469	(469)
Mileage Expense	31,600	86,850	36,845	50,005
Telephones & Modems	60,000	72,000	70,303	1,697
Printing	25,000	20,000	13,348	6,652
Postage & Delivery	10,500	10,600	2,775	7,825
Office Supplies	77,410	116,825	109,094	7,731
Subscription & Publications	6,200	13,400	7,640	5,760
Equipment Purchases	100,000	82,000	308,318	(226,318)
Equipment Rental	56,250	59,600	61,079	(1,479)
Repair & Maintenance-Furniture & Fixtures	195,000	195,000	205,551	(10,551)
Repair & Maintenance-Equipment	50,000	40,000	38,383	1,617
Rents & Lease - Offsite Storage	8,500	12,100	12,503	(403)
Human Resources Related Costs	14,500	13,500	5,272	8,228
Los Angeles County Overhead	120,500	120,500	10,204	110,296
Contingency	225,000	235,000	19,544	215,456
Facilities & Other Supplies	40,000	40,000	40,802	(802)
Utilities	160,000	160,000	157,892	2,108
Educational Supplies	2,000	103,000	62,872	40,128
Cell Phones & BlackBerry	22,000	28,000	26,635	1,365
Capital Outlay	<u>100,000</u>	<u>600,000</u>	<u>294,166</u>	<u>305,834</u>
Total General Operating Expenditures	<u>1,440,460</u>	<u>2,149,375</u>	<u>1,618,874</u>	<u>530,501</u>
Professional Services				
Audit and Accounting Fees	80,000	75,000	89,634	(14,634)
Legal Fees	75,000	75,000	171,575	(96,575)
Membership Dues	51,560	50,850	16,513	34,337
Professional Development	24,600	63,100	31,883	31,217
Professional Dues First 5 Association	40,000	40,000	40,000	-
Staff Recruitment	18,000	26,000	25,814	186
Commission Stipends	<u>25,000</u>	<u>25,000</u>	<u>23,400</u>	<u>1,600</u>
Total Professional Services	<u>314,160</u>	<u>354,950</u>	<u>398,819</u>	<u>(43,869)</u>
Consultant Services				
Consultant Fees	321,000	370,780	153,231	217,549
Other Professional Fees	<u>51,000</u>	<u>1,604,474</u>	<u>1,369,990</u>	<u>234,484</u>
Total Consultant Services	<u>372,000</u>	<u>1,975,254</u>	<u>1,523,221</u>	<u>452,033</u>
Travel and Meetings				
Conferences - Travel & Lodging	38,150	44,851	25,120	19,731
Conference - Registration Fees	29,550	164,835	33,388	131,447
Local Meeting Expenses	45,700	70,276	31,028	39,248
Lodging	37,394	46,209	16,794	29,415
Per Diem	<u>16,400</u>	<u>22,425</u>	<u>9,893</u>	<u>12,532</u>
Total Travel and Meetings	<u>167,194</u>	<u>348,596</u>	<u>116,223</u>	<u>232,373</u>
Total Operating Expenditures	<u>12,651,511</u>	<u>17,685,821</u>	<u>14,276,190</u>	<u>3,409,631</u>
Total Provider Grants and Operating Expenditures	<u>175,576,511</u>	<u>180,610,821</u>	<u>574,432,228</u>	<u>(393,821,407)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (62,926,779)</u>	<u>\$ (67,961,089)</u>	<u>\$ (422,022,384)</u>	<u>\$ (354,061,295)</u>
Fund balance - Beginning of year			<u>848,777,410</u>	
Fund balance - End of year			<u>\$ 426,755,026</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, 2011**

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. 26-29

Revenue Capacity

These schedules contain trend information to help the reader assess the Commission's most significant revenue base. 30-32

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. 33

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. 34

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

	<u>2011</u>	<u>2010**</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Restricted	\$ -	\$ -	\$ 881,019,859	\$ 885,944,312	\$ 846,935,336	\$ 801,601,230	\$ 748,426,669	\$ 684,537,664	\$ 630,304,788	\$ 548,038,507
Unrestricted	434,206,491	859,235,104	-	-	-	-	-	-	-	-
Invested in capital assets, net of related debt	13,114,194	13,405,843	13,873,311	13,847,697	13,551,567	13,794,660	13,367,162	82,560	126,567	74,194
Total net assets	<u>\$ 447,320,685</u>	<u>\$ 872,640,947</u>	<u>\$ 894,893,170</u>	<u>\$ 899,792,009</u>	<u>\$ 860,486,903</u>	<u>\$ 815,395,890</u>	<u>\$ 761,793,831</u>	<u>\$ 684,620,224</u>	<u>\$ 630,431,355</u>	<u>\$ 548,112,701</u>

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

** The Commission presented the net assets of the commission as unrestricted beginning with 2010.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Tobacco taxes	\$ 100,269,182	\$ 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	28,465,232	19,011,847	15,445,577	15,098,348	11,563,470	15,343,412	11,820,145	-	-	-
State Commission Program Funds	7,933,188	7,162,800	6,438,881	5,673,958	2,300,312	1,490,053	1,202,599	-	-	-
Medi-Cal Administrative Activities	507,869	740,794	925,511	-	-	-	-	-	-	-
Investment income	12,004,422	16,094,660	28,102,852	34,996,079	42,823,178	30,799,531	13,158,681	8,520,520	-	-
Other revenues	290,093	465,061	453,762	467,302	290,768	314,658	434	-	12,075,618	15,705,615
Total revenues:	<u>\$ 149,469,986</u>	<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	\$ 133,261,213	\$ 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
AB 99	424,388,705	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First 5 California (SRI)	2,506,120	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Salaries and benefits	10,685,423	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	1,324,708	832,164	1,090,947	693,968	855,192	860,634	933,586	951,337	890,097	1,387,808
Consultant services	1,523,221	677,379	653,301	415,736	415,822	531,042	129,320	128,168	201,551	109,575
Professional services	398,819	208,008	400,036	276,610	204,353	232,044	310,463	431,267	793,817	255,807
Other expenses	116,223	80,355	69,045	90,880	85,332	191	275,395	66,353	96,027	101,788
Depreciation	585,814	596,868	576,664	575,911	471,698	465,298	144,934	44,007	24,731	142,765
Total expenses:	<u>\$ 574,790,246</u>	<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>\$ (425,320,260)</u>	<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 SEVEN FISCAL YEARS***

	<u>2011**</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Fund Balance							
Nonspendable	\$ 10,723,546						
Committed	632,471,832						
Unassigned	(216,440,352)						
Total Fund Balance	<u>\$ 426,755,026</u>						
Reserved							
Reserved for encumbrances		\$ 129,094,692	\$ 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>\$ 337,799,563</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	\$ -
Unreserved		271,842,909	174,167,089	-	-	18,384,748	-
Total Fund Balances		<u>\$ 859,517,644</u>	<u>\$ 875,270,635</u>	<u>\$ 882,033,521</u>	<u>\$ 846,499,424</u>	<u>\$ 798,632,145</u>	<u>\$ 743,630,598</u>

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

** 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 SEVEN FISCAL YEARS***

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Revenues							
Tobacco taxes	\$ 100,269,182	\$ 102,504,928	\$ 114,925,729	\$ 122,655,958	\$ 127,012,312	\$ 131,223,184	\$ 138,542,842
State School Readiness	39,242,565	19,011,847	15,445,577	15,098,348	13,534,763	17,640,707	7,551,557
State Commission Program Funds	95,713	2,441,868	4,633,722	2,198,287	1,480,228	2,217,327	475,325
Medical Administrative Activities	507,869	740,794	925,511	-	-	-	-
Investment income	12,004,422	16,094,660	28,102,852	34,996,079	42,823,178	30,799,531	13,158,681
Other income	290,093	427,960	415,048	428,588	252,054	506,613	434
Total revenues:	<u>\$ 152,409,844</u>	<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	\$ 133,261,213	\$ 157,019,407	\$ 160,239,867	\$ 130,894,482	\$ 129,614,460	\$ 119,067,100	\$ 92,727,156
AB 99	424,388,705	N/A	N/A	N/A	N/A	N/A	N/A
First 5 California (SRI)	2,506,120	N/A	N/A	N/A	N/A	N/A	N/A
Salaries and benefits	10,619,053	8,774,370	8,155,851	6,599,446	5,831,492	5,802,008	5,243,147
Operating services	1,324,708	832,164	1,090,947	693,968	855,192	860,634	933,586
Consultant services	1,523,221	677,379	653,301	415,736	415,822	531,042	129,320
Professional services	398,819	208,008	400,036	276,610	204,353	232,044	310,463
Other expenses	116,223	80,355	69,045	90,880	85,332	191	275,395
Capital lease payments	-	-	-	-	-	-	8,498,702
Capital outlay	294,166	123,599	602,278	872,041	228,605	892,796	4,930,834
Total expenditures:	<u>\$ 574,432,228</u>	<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>\$ (422,022,384)</u>	<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 2014/2015**

2008 Actual Births	2008 Actual Birthrate	2010-2011 Tax Revenue Projection	2009 Actual Births	2009 Actual Birthrate	2011-2012 Tax Revenue Projection	2010 Projected Births	2010 Projected Birthrate	2012-2013 Tax Revenue Projection	2011 Projected Births	2011 Projected Birthrate	2013-2014 Tax Revenue Projection	2012 Projected Births	2012 Projected Birthrate	2014-2015 Tax Revenue Projection
147,684	26.775%	\$ 98,832,319	139,679	26.516%	\$ 94,852,556	140,056	26.571%	\$ 90,780,003	142,132	26.627%	\$ 87,561,596	144,613	26.683%	\$ 84,329,084

Source:
 "First 5 California County Tax Revenue Projections for FY 2010/11 to 2014/15"
 (Updated 5/18/11 Utilizing DOF May Revise 2011 Tobacco Tax Projections and DOF 2009 Birth Projections for California State and Counties 1980-2018)

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FIRST 5 CALIFORNIA COUNTY TAX REVENUE PROJECTIONS FOR
FY 2010/11 - FY 2014/2015**

2008 Actual Births	147,684
2008 Actual Birthrate	26.775%
FY 2010/11 Tax Revenue Projection	\$ 98,832,319
2009 Actual Births	139,679
2009 Actual Birthrate	26.516%
FY 2011/12 Tax Revenue Projection	\$ 94,852,556
2010 Projected Births	140,056
2010 Projected Birthrate	26.571%
FY 2012/13 Tax Revenue Projection	\$ 90,780,003
2011 Projected Births	142,132
2011 Projected Birthrate	26.627%
FY 2013/14 Tax Revenue Projection	\$ 87,561,596
2012 Projected Births	144,613
2012 Projected Birthrate	26.683%
FY 2014/15 Tax Revenue Projection	\$ 84,329,084

Source:

*"First 5 California County Tax Revenue Projections for FY 2010/11 to 2014/15"
(Updated 5/18/11 Utilizing DOF May Revise 2011 Tobacco Tax Projections and DOF 2009 Birth Projections for California State and Counties 1980-2018)*

**LOS ANGELES COUNTY CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE, 1059-60 TO 2009-10
(In thousands of dollars)**

Fiscal year 1	Cigarette tax				Other tobacco products surtax	
	Revenue a/ 2	Distributors' discounts b/ 3	Gross value of tax indicia c/ 4	Refunds 5	Revenue 6	Rate (%) 7
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	3747.00%
1988-89	499,712,000 h	4,273,000	503,984,000	4,968,000	9,994,000 h	42
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 stocks.
- Note: Detail may not compute to total due to rounding.

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

	1999*	2000**	2001**	2002**	2003**	2004**	2005**	2006**	2007**	2008**	2009***	2010***
Total Population	9,232,446,386	9,576,124	9,735,898	9,892,467	10,021,782	10,120,317	10,185,761	10,216,702	10,252,245	10,341,412	10,449,155	10,514,663
White	2,959,614	3,044,112	3,050,111	3,039,478	3,020,217	2,991,123	2,952,183	2,903,508	2,856,544	2,822,775	2,938,369	2,913,695
Hispanic	4,242,213	4,272,150	4,380,009	4,491,464	4,592,383	4,679,668	4,751,677	4,807,354	4,864,925	4,944,987	5,008,069	5,079,973
Asian	1,124,569	1,158,482	1,190,984	1,231,653	1,269,709	1,304,241	1,334,812	1,360,995	1,387,824	1,423,826	1,378,338	1,397,967
Black	901,472	912,950	916,541	914,140	909,180	901,235	890,227	876,209	862,622	853,032	882,167	877,423
Pacific Islander	23,265	24,574	25,103	25,800	26,443	26,904	27,266	27,544	27,773	28,137	29,001	29,522
American Indian	25,609	26,684	26,874	26,842	26,720	26,455	26,072	25,584	25,056	24,588	30,808	31,089
Multi-race	222,661	137,172	146,275	163,091	177,130	190,691	203,524	215,509	227,501	244,067	182,403	184,994
Female	4,815,233	4,812,644	4,884,436	4,953,457	5,012,616	5,060,887	5,097,968	5,123,747	5,151,888	5,195,931	5,266,592	5,301,941
Male	4,704,105	4,763,480	4,851,462	4,939,010	5,009,166	5,059,430	5,087,793	5,092,955	5,100,357	5,145,481	5,182,563	5,212,722
Under 5 years	737,631	767,058	770,988	777,958	782,117	778,907	765,652	742,159	728,334	731,216	716,228	715,483
5-9 years	802,047	871,431	871,436	869,311	854,383	830,024	796,592	760,560	732,624	735,376	744,818	740,044
10-14 years	723,652	745,628	802,919	860,657	909,305	936,479	935,203	902,600	852,918	802,998	769,538	742,928
15-19 years	683,466	635,870	636,239	639,543	655,818	692,675	749,867	820,767	885,245	926,946	870,100	875,115
20-24 years	701,837	605,277	588,394	571,440	569,175	579,546	604,700	647,886	690,477	712,834	725,816	762,648
25-29 years	779,031	690,369	639,989	590,955	554,822	539,185	546,918	580,169	621,590	647,647	677,682	686,935
30-39 years	1,592,915	1,624,553	1,635,570	1,631,555	1,603,922	1,553,417	1,488,217	1,417,302	1,352,485	1,307,857	1,420,833	1,379,966
40-49 years	1,351,738	1,414,251	1,473,312	1,532,440	1,579,114	1,611,164	1,619,676	1,604,965	1,582,764	1,578,500	1,592,529	1,592,940
50-59 years	913,585	947,098	1,001,403	1,055,878	1,104,682	1,152,271	1,199,203	1,234,103	1,259,906	1,295,706	1,315,677	1,349,617
60-69 years	564,939	580,963	600,807	627,077	655,048	680,095	700,827	722,021	754,663	794,316	827,207	867,055
70-79 years	432,804	443,676	450,660	456,057	459,521	460,630	461,665	459,992	459,524	465,714	466,110	473,750
80+ years	235,693	249,951	264,181	279,596	293,874	305,924	317,241	324,179	331,715	342,302	322,617	328,182

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)

Economic Data

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
LA County Personal Income	269,973,085	284,985,217	303,445,287	311,367,020	322,272,131	338,209,805	357,193,633	385,732,651	402,107,608	413,316,582	402,459,119	N/A
LA County Per Capita Personal Income	28,607	29,865	31,495	32,041	32,961	34,481	36,434	39,519	41,307	42,265	40,867	N/A
California Personal Income	1,027,714,604	1,135,342,267	1,168,732,980	1,187,360,329	1,232,991,459	1,312,244,154	1,387,682,421	1,495,559,996	1,572,270,587	1,604,112,764	1,564,388,897	1,605,790,116
California Per Capita Personal Income	30,679	33,398	33,890	34,045	34,977	36,904	38,767	41,567	43,402	43,852	42,325	43,104
United States Personal Income	7,906,131,000	8,554,866,000	8,878,830,000	9,054,781,000	9,369,072,000	9,928,790,000	10,476,669,000	11,256,516,000	11,879,836,000	12,225,589,000	12,015,534,968	12,530,101,184
United States Per Capita Personal Income	28,333	30,318	31,145	31,462	32,271	33,881	35,424	37,698	39,392	40,166	39,138	40,584

Source:

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

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

2010 economic data is not yet available for Los Angeles County

**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, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 7, 2011. Our report included an explanatory paragraph regarding the Commission's adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 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

Management of the Commission is responsible for establishing and maintaining effective 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. Management of the Commission is responsible for establishing and maintaining effective 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 7, 2011.

This report is intended solely for the information and use of management, the County Board of Supervisors, Board of Commissioners, the County Commission, the State 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 7, 2011



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, 2011 and have issued our report thereon dated October 7, 2011. Our report included an explanatory paragraph regarding the Commission's adoption of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also audited the Commission's 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, 2011. Compliance with the requirements referred to above is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our compliance audit 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 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 Controller's Office. Those standards and the State of California's Standards and Procedures for the 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 compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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:

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.

In our opinion, Los Angeles County Children and Families First – Proposition Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended June 30, 2011.

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

A handwritten signature in black ink, appearing to read "Vavinich, Train, Daz, Co., LLP". The signature is written in a cursive, somewhat stylized font.

Rancho Cucamonga, California
October 7, 2011