

**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, 2009



**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, 2009

Tracey L. Hause

Director of Finance

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
FOR THE YEAR ENDED JUNE 30, 2009**

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Champions For Our Children

September 11, 2009

COMMISSIONERS Board of Commissioners
Los Angeles County Supervisor First 5 LA
Don Knabe 750 North Alameda Street, Suite 300
Chair Los Angeles, CA 90012

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) for the year ended June 30, 2009, is hereby submitted as mandated by applicable statutes. These statutes require First 5 LA to annually issue a report of its financial position and activity. A complete audit of the report by an independent firm of certified public accountants is also required. Responsibilities for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with the Commission's management. The information in this report is intended to present the reader with a comprehensive view of the Commission's financial position and the results of its operations for the fiscal year ending June 30, 2009, along with additional disclosures and financial information designed to enable the reader to gain an understanding of First 5 LA's financial activities.

Macias Gini & O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on First 5 LA's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report. Management also provides a narrative introduction, overview and analysis of the basic financial statements in the form of management's discussion and analysis (MD&A). It can be found immediately following the independent auditor's report.

The Comprehensive Annual Financial Report is organized into three sections:

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

EXECUTIVE DIRECTOR
Evelyn V. Martinez

750 N. Alameda Street
Suite 300
Los Angeles, CA 90012
ph: 213.482.5902
fax: 213.482.5903
www.first5la.org
contact@first5la.org

A public entity.

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

PROFILE OF THE COMMISSION

First 5 LA was created by the Los Angeles County Board of Supervisors in December 1998 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development. During the last ten years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocations of more than \$871 million toward grants, programs and operations that improve the well-being of young children and families in Los Angeles County.

LOCAL ECONOMY

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

MAJOR ACCOMPLISHMENTS

First 5 LA has adopted a Strategic Plan for FY 2009-2015. Staff worked on the strategic planning process for over a year and has developed a framework for the approach of the Strategic Plan:

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

A Strategies Framework of the Plan outlines the place-based strategies, along with countywide strategies that support the targeted efforts.

First 5 LA was also awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the 2007-08 FY. This first time achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

FUTURE INITIATIVES

A one-year planning phase for the implementation of the Strategic Plan from July 2009 through June 2010 has been approved by the Commission and an allocations framework for future initiatives will be finalized during this implementation phase.

OTHER FINANCIAL INFORMATION

Internal Control

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

Budgetary and Accounting System

The Commission is required to adopt an operating budget for the following year before the end of each fiscal year. The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the Board of Commissioners. Any increase in the adopted appropriations during the fiscal year must have Commission approval. The Executive Director has the authority to make adjustments between line items in an amount not to exceed \$25,000. Monthly financial updates are provided to the Board of Commissioners.

Cash Management

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

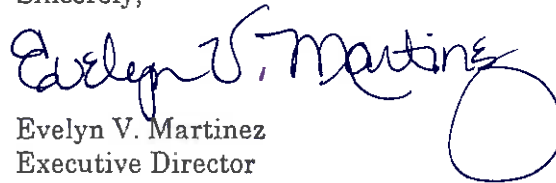
Risk Management

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

ACKNOWLEDGEMENTS

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

Sincerely,


Evelyn V. Martinez
Executive Director

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
BOARD OF COMMISSIONERS
FOR THE YEAR ENDED JUNE 30, 2009**

BOARD MEMBERS (9)

Don Knabe
Chair

Marvin J. Southard
Vice Chair

Nancy Au

Jane Boeckmann

Neal Kaufman

Jonathan E. Fielding

Evangelina R. Stockwell

Corina Villariagosa

Carolyn Wilder

EX-OFFICIO MEMBERS (4)

Jacquelyn McCroskey

Dennis Duane

Deanne Tilton

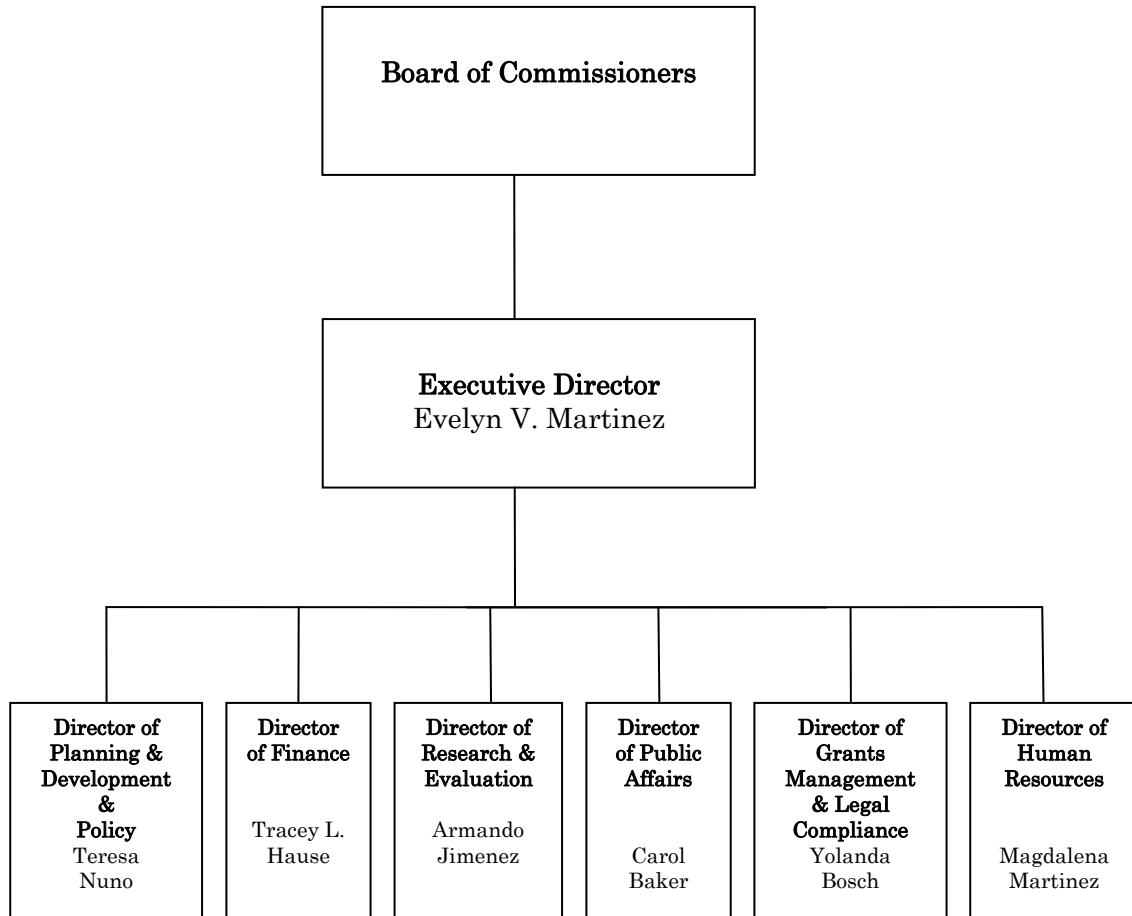
Harriette F. Williams

ALTERNATES (2)

Cynthia Harding

William Arroyo

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
ORGANIZATION CHART
FOR THE YEAR ENDED JUNE 30, 2009**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

First 5 LA
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. R.", positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

LOS ANGELES
515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

INDEPENDENT AUDITOR'S 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 general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission as of June 30, 2009 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2009, 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 the 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 9 to 14 is not a required part of the basic financial statements but is 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 introductory section, supplemental schedule and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit for the basic financial statements and, accordingly, we express no opinion on them.

Maurice F. Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
September 9, 2009

Management's Discussion and Analysis (Unaudited)

This section of the Los Angeles County Children and Families First – Proposition 10 Commission, (aka First 5 LA) comprehensive annual financial report presents management's discussion and analysis of the Commission's financial performance during the year ended June 30, 2009. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission received \$137,735,698 from the State compared to \$143,428,264 received in the prior fiscal year, a decrease of \$5,692,566 or (4 %).
- The Commission had expenses totaling \$171,191,151 in FY 2008-09, which is an increase of \$31,604,612 or 23% compared to \$139,586,539 in FY 2007-08.
- The Commission's total liabilities and net assets increased from \$933,676,588 in FY 2007-08 to \$935,197,866 in FY 2008-09 by \$1,521,278 or 0%.
- The Commission's liabilities increased from \$33,884,579 in FY 2007-08 to \$40,304,696 in FY 2008-09 by \$6,420,117 or 19%.

Overview of the Financial Statements

This 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.

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 2008-09 with FY 2007-08.

	FY 2008-09	FY 2007-08	Percent Increase (Decrease)*
Assets:			
Current and other assets	\$ 921,324,555	\$ 919,828,891	0%
Capital assets	13,873,311	13,847,697	0%
Total assets	<u>935,197,866</u>	<u>933,676,588</u>	0%
Liabilities:			
Long-term liabilities	275,875	270,436	2%
Other liabilities	40,028,821	33,614,143	19%
Total liabilities	<u>40,304,696</u>	<u>33,884,579</u>	19%
Net Assets:			
Restricted	881,019,859	885,944,312	1%
Invested in capital assets	13,873,311	13,847,697	0%
Total net assets	<u>894,893,170</u>	<u>899,792,009</u>	0%
Total liabilities and net assets	<u>\$935,197,866</u>	<u>\$ 933,676,588</u>	0%

*Actual percentage decreases and increases of less than .5% are rounded and reported as 0%.

The Commission's total assets of \$935,197,866 increase by \$1.5 million compared with the prior year. The increase in current and other assets is approximately \$1.5 million. Although the year to date expenses exceeded revenues, the total assets have a 0% change from FY 2007-08 to FY 2008-09. The key contributing factors for expenses higher than revenue is due to expenses for provider grants and other allocations were more than expected.

Other liabilities increased by 19% due primarily to activities by Los Angeles Universal Preschool and increased activities to Oral Health/Nutrition Expansion.

The following is a summary of the Commission's revenues, expenses and change in net assets comparing FY 2008-09 with 2007-08.

	FY 2008-09	FY 2007-08	Percent Increase (Decrease)
Revenues:			
Program revenues			
Tobacco taxes	\$ 114,925,729	\$ 122,655,958	(6%)
State School Readiness	15,445,577	15,098,348	2%
Other State Commission			
Program Funds	6,438,881	5,673,958	13%
Medical Administrative			
Activities	925,511	-	100%
Total program revenues	<u>137,735,698</u>	<u>143,428,264</u>	(4%)
General revenues			
Investment income	28,102,852	34,996,079	(20%)
Other revenue	453,762	467,302	(3%)
Total general revenues	<u>28,556,614</u>	<u>35,463,381</u>	(19%)
Total revenues	<u>166,292,312</u>	<u>178,891,645</u>	(7%)
Expenses:			
Provider grants and other allocations	160,239,867	130,894,482	22%
Salaries and benefits	8,161,291	6,638,953	23%
Operating services	1,090,947	693,968	57%
Consultant services	653,301	415,735	57%
Professional services	400,036	276,610	45%
Other expenses	69,045	90,880	(24%)
Depreciation	576,664	575,911	0%
Total expenses	<u>171,191,151</u>	<u>139,586,539</u>	23%
Change in net assets:	(4,898,839)	39,305,106	(112%)
Net assets – beginning	<u>899,792,009</u>	<u>860,486,903</u>	5%
Net assets – ending	<u>\$ 894,893,170</u>	<u>\$ 899,792,009</u>	(1%)

Revenues

The Commission received total revenues of approximately \$166.3 million in FY 2008-09, which was a decrease of \$12.6 million, or (7%) compared with the prior year's total revenues of \$178.9 million. The decrease in First 5 LA revenues is primarily due to the following:

Tobacco Tax

Tobacco tax revenue decreased from \$122.7 million in FY 2007-08 to \$114.9 million in FY 2008-09, a decrease of \$7.7 million, or (6%). This decrease is mostly due to the decrease in sales of tobacco products and the decrease in birth rate in Los Angeles County as projected by the State. Birth rates of each county are the primary factor in determining the allocation of tobacco tax revenues.

Tobacco Taxes for State School Readiness Program

Tobacco tax revenue for the State School Readiness program increased from \$15.09 million in FY 2007-08 to \$15.45 million in FY 2008-09, an increase of \$347,229 or 2%. A refined analysis of estimated State School Readiness revenue from inception to June 30, 2009 was completed and is reflected in the amount of revenue recognized in FY 2008-09 and the deferred revenue recorded for FY 2008-09.

Other State Commission Program Funds

State Commission matching funds increased from \$5.7 million in FY 2007-08 to \$6.4 million in FY 2008-09, an increase of \$764,923. The increase is due primarily to the Los Angeles Universal Preschool (LAUP) Power of Preschool program revenue which is a result of the expanded service areas in FY 2008-09.

Medical Administrative Activities

The Commission earned \$925,511 from the County of Los Angeles to assist in the administration of the Medi-Cal Program by improving the availability and accessibility of Medi-Cal services to eligible participants.

Investment Income

The Commission earned \$28.1 million of investment income in FY 2008-09, which was a decrease of \$6.9 million, or (20%) compared to the \$34.9 million earned in the prior year. This decrease is due to the decline in interest rates during the fiscal year.

Other Revenues

The Commission generates other revenue primarily through the lease agreement of the 2nd floor of the building it owns. The revenue decreased by 3% to \$453,762 in FY 2008-09 in comparison to \$467,302 received in FY 2007-08. This is a result of a reduction in miscellaneous receipts as rental income remained the same.

Expenses

The Commission expended approximately \$171.2 million in FY 2008-09 compared to \$139.6 million in FY 2007-08 an increase of \$31.6 million or 23%. The \$31.6 million increase in overall expenditure is primarily due to the following:

Provider Grants and Other Allocations

The Commission expended approximately \$160.2 million in FY 2008-09 compared to \$130.9 million in FY 2007-08, an increase of \$29.3 million or 22%. This increase comes from the prior year adjustment as noted above and increased expenditures for Healthy Kids of approximately \$9.1 million and Power of Preschool of \$10.7 million.

Grantees	Allocation	FY 2007-08	FY 2008-09
Los Angeles Universal Pre School	\$ 580,000,000	\$ 64,057,852	\$ 62,575,949
Power of Preschool (POP)	Pass through	-	10,757,850
Partnership for Families	50,000,000	8,422,807	8,881,386
Healthy Kids	100,000,000	11,123,125	15,866,449
MRMIB	3,809,286	-	3,073,714

Salaries and Benefits, Operating Services and Professional Services

The increases in salaries and benefits, operating services and professional services are primarily due to the change in how the Commission reports these expenses. In the past, the Commission reported salaries and benefits, operating services and professional services directly to initiatives under the Provider Grants and Other Allocation expense. This change now reports salary and benefits, operating services and professional services expenses in the designated line item for all the Commission's operating costs.

Consultant Services

The cost related to consultants for FY 2008-09 are primarily related to the fourth Strategic Planning process and the Technical Assistance Institute.

Depreciation

Depreciation expense increased from \$575,911 in FY 2007-08 to \$576,664 in FY 2008-09. This is due to the depreciation of the building and additional equipment and furniture purchased in FY 2008-09.

Capital Assets

The \$602,278 increase in capital assets is due to the purchase of Computers, Software and Accessories of \$559,817 and purchases of Furniture & Fixtures \$42,461. The depreciation expense for the fiscal year was \$576,664. Additional information on capital assets can be found in Note 3 of this report.

Budgetary Highlights

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

Final Revenue Budget vs. Actual Revenue

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

Tobacco Taxes

Tobacco tax revenue is less due to an overall decline in smoking of 3.5% and the cigarette tax increase by the Federal Government's reauthorization of the State Children Health Insurance Program (SCHIP).

Investment Income

The interest rate was higher than projected and cash available to invest was higher than originally anticipated.

Original Expenditure Budget vs. Final Expenditure Budget

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

Personnel Related Cost

The Commission approved additional staff for Oral Health Community Development and Best Start LA (P-3) which were direct charges against the initiative allocation.

Equipment Purchase

The Commission approved "One Time/Cyclical Cost" for Microsoft Licenses and Enterprise Servers.

Consultant Services

The Commission approved “One Time/Cyclical Cost” for Strategic Planning and the Technical Assistance Institute.

Final Expenditure Budget vs. Actual Expenditure Amounts

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

Provider Grants

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

Personnel Related Expenses

The positive variance is primarily due to employees not contributing to their 403(b) at a level that requires First 5 LA to match the entire budgeted amount.

Contingency

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

Other Potentially Significant Matters

The State projects a continuing decrease of State Tax Allocations revenue and reduction in the share allocated to First 5 LA due to a proportionally lower birth rate. Projected annual revenue decrease is estimated to be 4% through FY 2011-12.

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

Contacting the Commission’s Financial Management

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

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2009

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 2,982,261	\$ -	\$ 2,982,261
Investments	869,249,217	-	869,249,217
Investments - School Readiness	2,009,526	-	2,009,526
State receivable	26,326,779	-	26,326,779
Investment income receivable	1,816,706	-	1,816,706
Advance to grantee	18,940,066	-	18,940,066
Capital assets:			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	11,834,311	11,834,311
Total assets	<u>\$ 921,324,555</u>	<u>\$ 13,873,311</u>	<u>\$ 935,197,866</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 37,943,481	\$ -	\$ 37,943,481
Deferred revenue	8,110,439	(6,025,099)	2,085,340
Compensated absences			
Due within one year	-	59,564	59,564
Due in more than one year	-	216,311	216,311
Total liabilities	<u>46,053,920</u>	<u>(5,749,224)</u>	<u>40,304,696</u>
Fund balance/net assets			
Fund balance			
Reserved			
Reserved for encumbrances	341,203,752	(341,203,752)	-
Reserved for obligations	45,820,595	(45,820,595)	-
Reserved for First 5 California initiatives	30,050,843	(30,050,843)	-
Total reserved fund balance	<u>417,075,190</u>	<u>(417,075,190)</u>	<u>-</u>
Unreserved	<u>458,195,445</u>	<u>(458,195,445)</u>	<u>-</u>
Total fund balance	<u>875,270,635</u>	<u>(875,270,635)</u>	<u>-</u>
Net assets			
Invested in capital assets	-	13,873,311	13,873,311
Restricted			
Early childhood development	-	881,019,859	881,019,859
Total net assets	<u>-</u>	<u>894,893,170</u>	<u>894,893,170</u>
Total liabilities and fund balances/net assets	<u>\$ 921,324,555</u>	<u>\$ 13,873,311</u>	<u>\$ 935,197,866</u>

See accompanying notes to 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, 2009

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
Revenues			
Program revenues			
Tobacco taxes	\$ 114,925,729	\$ -	\$ 114,925,729
State School Readiness	15,445,577	-	15,445,577
State Commission Program Funds	4,633,722	1,805,159	6,438,881
Medical Administrative Activities	925,511	-	925,511
Total program revenues	<u>135,930,539</u>	<u>1,805,159</u>	<u>137,735,698</u>
General revenues			
Investment income	28,102,852	-	28,102,852
Other revenues	415,048	38,714	453,762
Total general revenues	<u>28,517,900</u>	<u>38,714</u>	<u>28,556,614</u>
Total revenues	<u>164,448,439</u>	<u>1,843,873</u>	<u>166,292,312</u>
Expenditures/expenses			
Provider grants and other allocations	160,239,867	-	160,239,867
Salaries and benefits	8,155,851	5,440	8,161,291
Operating services	1,090,947	-	1,090,947
Consultant services	653,301	-	653,301
Professional services	400,036	-	400,036
Other expenses	69,045	-	69,045
Capital outlay	602,278	(602,278)	-
Depreciation - unallocated	-	576,664	576,664
Total expenditures/expenses	<u>171,211,325</u>	<u>(20,174)</u>	<u>171,191,151</u>
Excess (deficiency) of revenues over (under) expenditures	(6,762,886)	6,762,886	-
Change in net assets	-	(4,898,839)	(4,898,839)
Fund balance/net assets			
Beginning of year	882,033,521	17,758,488	899,792,009
End of year	<u>\$ 875,270,635</u>	<u>\$ 19,622,535</u>	<u>\$ 894,893,170</u>

See accompanying notes to basic financial statements.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

With passage of a ballot initiative in November 1998, California (the “State”) voters approved the establishment of the Los Angeles County Children and Families First – Proposition 10 Commission (the “Commission”), a component unit of Los Angeles County. 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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

**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 invested in capital assets and restricted net assets. At June 30, 2009, the Commission reported restricted net assets of \$881,019,859. California Proposition 10 restricts the Commission to expend tobacco tax revenues on programs focused exclusively on early childhood development for children prenatal up to five years of age.

Fund Financial Statements

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

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

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Capital Assets

Capital assets are not considered to be financial resources and therefore, are not reported as an asset in the fund financial statements. Capital assets in the amount of \$13,873,311 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 \$602,278 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, 2009 amounted to \$576,664 and is included in the government-wide financial statements.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

Deferred Revenue

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days, the uncollected balance is deferred at year-end in the fund financial statements. Deferred revenue of \$6,025,099 was recognized as revenue in the government-wide financial statements during the year ended June 30, 2009.

The Commission entered into an agreement with a tenant to pay for the cost of improvements and the Commission is to be reimbursed. Revenue will be recognized over the life of the tenant lease. At June 30, 2009, \$75,813 was deferred in the government-wide financial statements and \$38,714 was recognized as revenue. The Commission received State School Readiness funds in excess of allowable expenditures in the amount of \$2,009,527. This amount is deferred in the fund and government-wide financial statements.

Revenues related to prior years that are available in the current year are reported in the general fund. In contrast, revenues that are earned but unavailable in the current year are deferred in the general fund. For government-wide purposes, the change in revenues represents revenues earned but unavailable in the current year in the amount of \$1,805,159.

Long-Term Liabilities

As of June 30, 2009 the Commission estimated its liability for vested compensated absences to be \$275,875. 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 \$5,440 is reported in the statement of activities and does not require the use of current financial resources.

Fund Balance and Net Assets

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

Investments

The Commission participates in the common investment pool of Los Angeles County. In addition, the Commission has a specifically invested portfolio with the Los Angeles County Treasurer's Office. Investments are recorded at fair value.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

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

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 cost in excess of \$5,000 and a useful life greater than one year. The Commission depreciates capital assets using a straight-line method over the estimated useful life of fifty years for buildings, four years for computers and five years for office equipment and furniture and fixtures. Building improvements are depreciated over the remaining useful life of the building.

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Total cash and investments at fair value, as of June 30, 2009 are as follows:

Cash:	
Cash on hand	\$ 500
Cash in bank	2,981,761
Total cash	<u>2,982,261</u>
Investments with County Treasurer:	
Pooled cash and investments	819,316,717
Pooled cash and investments – School Readiness	2,009,526
Specific investments	49,932,500
Total investments with County Treasurer	<u>871,258,743</u>
Total cash and Investments	<u><u>\$874,241,004</u></u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash in Bank

The *California Government Code* requires California banks and savings and loan associations to secure the Commission's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2009, cash held by the financial institutions of \$6,473,314 was entirely insured and collateralized as described above. The book balance at June 30, 2009 was \$2,982,261.

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2009 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, 2009 increased the Commission's investment income by \$3,764,947. 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, 2009, the weighted average maturity for the County pool approximated 495 days and is not rated.

Specific Investments with Treasurer

The Commission has deposited funds to purchase securities invested on behalf of the Commission in accordance with the Commission's investment policy statement (IPS).

The table below identifies the investment types and percentage limits that are authorized by the Commission's IPS:

<u>Type</u>	<u>Limit Per Issuer</u>	<u>Total Limit</u>
Certificate of deposits	5%	30%
Commercial paper	5%	40%
Corporate notes	5%	30%
Federal agencies	10%	60%
U.S. Treasuries	100%	100%

The Commission had the following investments at June 30, 2009:

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>
Federal agencies	<u>\$ 49,932,500</u>	758

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Specific Investments with Treasurer (continued)

Interest Rate Risk

Interest rate risk refers to the risk that changes in interest rates will affect the fair value of an investment. The Commission’s investment policy requires that all specific investments shall be managed by the Los Angeles County Treasurer. The County Treasurer’s Investment Policy limits investments in any specific purpose investment portfolio to the short-term category to mitigate interest rate risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At year-end, the Commission’s investment pool and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The County Treasurer’s Investment Policy limits investments in any specific purpose investment portfolio to the short-term category to mitigate interest rate risk and defines a minimum credit rating from Moody’s and Standard & Poors (S&P) for issuers of financial instruments to minimize credit risk. For an issuer of short-term debt, the rating must be no less than P-1 (Moody’s) or A-1 (S&P) while an issuer of long-term debt shall be rated no less than an A. At June 30, 2009, the Pooled Cash and Investments were not rated (NR).

Concentration of Credit Risk

The IPS also limits to no more than 5% of the total market value of funds that may be invested in securities of any one issuer, except for obligations of Federal agencies or U.S. Treasuries. At June 30, 2009, the credit ratings of the investments with County Treasurer and the related concentration of credit risk by investment type were as follows:

	<u>Moody’s</u>	<u>Standard & Poors</u>	<u>Percentage of Total</u>
Pooled Cash and Investments	NR	NR	94%
Specific Investments:			
Federal agencies:			
Federal Home Loan Mortgage Corp.	AAA	Aaa	6%
Total			<u>100%</u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 3 – CAPITAL ASSETS

The capital assets balance at June 30, 2009 consists of the following activity:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not depreciated:				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets depreciable:				
Building and improvements	11,921,736	-	-	11,921,736
Computer software and accessories	1,077,799	559,817	(143,624)	1,493,992
Office equipment	174,950	-	-	174,950
Furniture and fixtures	416,209	42,461	-	458,670
Total depreciable capital assets	13,590,694	602,278	(143,624)	14,049,348
Less accumulated depreciation:				
Building and improvements	(747,687)	(239,133)	-	(986,820)
Computer software and accessories	(660,733)	(218,958)	143,624	(736,067)
Office equipment	(110,422)	(34,990)	-	(145,412)
Furniture and fixtures	(263,155)	(83,583)	-	(346,738)
Total accumulated depreciation	(1,781,997)	(576,664)	143,624	(2,215,037)
Total capital assets, depreciable (net)	11,808,697	25,614	-	11,834,311
Capital assets – net	\$ 13,847,697	\$ 25,614	\$ -	\$ 13,873,311

Depreciation expense for the year is \$576,664.

NOTE 4 – CHANGES IN COMPENSATED ABSENCES

Compensated absences liability activities for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year
Compensated absences	\$ 270,436	\$ 362,090	\$ 356,651	\$ 275,875	\$ 59,564

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 5 – FUND BALANCE

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

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

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

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

Unreserved fund balance consists of the following:

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

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

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 5 – FUND BALANCE (Continued)

Fund balance at June 30, 2009 is as follows:

Reserved for encumbrances:	
2-1-1 Line	\$ 1,869,209
Best Start LA (P-3)	5,056,913
Children’s Planning Council – SP 11	283,537
Community Opportunities Fund	2,533,986
Early Childhood Education (4 Yr Olds)	273,560,000
ECE – Family, Friends, and Neighbor	1,208,043
ECE – Workforce Development	2,518,217
Family Literacy Expansion Grants	3,684,841
Healthy Kids	23,455,975
LA Best Babies Network (Healthy Birth/Expansion)	5,097,713
MAA – LA County	61,342
Oral Health Community Development	1,495,737
Oral Health Nutrition	603,366
Partnership For Families	12,899,873
Public Education	1,469,341
Research and Evaluation	1,926,372
Research and Evaluation (Early Learning)	3,479,287
Total reserved for encumbrances	<u>341,203,752</u>
Reserved for obligations:	
2-1-1 Line	272,823
Best Start LA (P-3)	7,013,476
Children’s Planning Council – SP 11	2,073,695
Community Opportunities Fund	2,823,738
Early Childhood Education (4 Yr Olds)	9,057,642
Early Childhood Education (Supervisor Projects)	3,665,088
ECE – Workforce Development	5,498,519
Healthy Kids	2,934,613
LA Best Babies Network (Healthy Birth/Expansion)	2,511,073
Oral Health Community Development	761,141
Oral Health Nutrition	1,238,209
Partnership For Families	6,070,578
Research and Evaluation	1,900,000
Total reserved fund balance	<u>45,820,595</u>
Reserved for First 5 California Initiatives:	<u>30,050,843</u>
Total reserved fund balance	<u>417,075,190</u>
Unreserved:	
Designated for:	
Operating Sustainability	5,238,308
FY 09/10 Operation Budget	10,822,075
Local Initiatives	267,967,973
Undesignated	<u>174,167,089</u>
Total unreserved fund balance	<u>458,195,445</u>
Total fund balance	<u>\$ 875,270,635</u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 6 – PROGRAM EVALUATION

The Commission spent \$5,313,881 on program evaluation during the year ended June 30, 2009.

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's 457(b) Plan was terminated effective October 22, 2007 and Plan assets were either rolled over to the 403(b) Plan or were distributed to Plan Participants as directed by Plan Participants.

The 457(b) Plan assets were in a Trust Account maintained by a Trust company. The 403(b) Plan assets were in a Custodial Account maintained by a Custodian. The Human Resources Director, the Director of Finance and the Director of Grants Management and Legal Compliance are the Plan Fiduciaries. These assets are not included in the Commission's financial statements. At June 30, 2009, the balance in the 403(b) Plan Trust Fund was \$2,357,485. The Commission contributed \$217,906 to the 403(b) Plan in fiscal year ended June 30, 2009.

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.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Operating Lease

The Commission leases various equipment from a third party. The future minimum rental payments due under these leases are as follows:

Fiscal Year Ending June 30	
2010	\$ 37,768
2011	37,768
2012	37,768
2013	37,768
2014	<u>29,631</u>
Total	<u>\$ 180,703</u>

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 in 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 \$28.3 million in grantee expenses. Of the \$28.3 million State School Readiness Program expenses, the Commission is eligible to receive funding under the one to one match of \$14.7 million. \$15.4 million in revenue was recognized in the current fiscal year and includes coordination funds and a 50% advance based on the FY 08/09 budgeted amount. The Commission recorded deferred revenue of approximately \$2.0 million at June 30, 2009.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Commission is required to use the County Treasurer for treasury and investment services and paid fees totaling approximately \$15,111 during the year ended June 30, 2009.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

The Commission paid approximately \$30, 464,285 of provider grants to organization's which are represented by nine members of the Board of Commissioners. In addition, \$25,000 was provided for a conference for an organization which a Board member represents.

NOTE 12 - SUBSEQUENT EVENT

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

**SUPPLEMENTAL 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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Tobacco taxes:				
Tobacco taxes	\$ 120,411,697	\$ 120,411,697	\$ 114,925,729	\$ (5,485,968)
State School Readiness	13,400,000	13,400,000	15,445,577	2,045,577
State Commission Program Funds	-	-	4,633,722	4,633,722
Medical Administrative Activities	-	-	925,511	925,511
Investment income	21,000,000	21,000,000	28,102,852	7,102,852
Other revenues	<u>3,000,000</u>	<u>3,000,000</u>	<u>415,048</u>	<u>(2,584,952)</u>
Total revenues	<u>157,811,697</u>	<u>157,811,697</u>	<u>164,448,439</u>	<u>6,636,742</u>
Expenditures				
Provider Grants				
Provider grants and other allocations	177,300,000	177,300,000	160,239,867	17,060,133
Operations & Administration				
Personnel related expenditures				
Salaries and wages	6,035,734	6,834,273	6,809,563	24,710
Fringe Benefits	<u>1,510,285</u>	<u>1,703,695</u>	<u>1,346,288</u>	<u>357,407</u>
Total Personnel Related Expenditures	7,546,019	8,537,968	8,155,851	382,117
General Operating Expenditures				
ADP Payroll Charges	22,000	22,000	17,911	4,089
Workers Compensation Insurance	50,000	50,000	87,604	(37,604)
Corporate Insurance	70,000	70,000	52,589	17,411
Mileage Expense	36,037	47,777	19,009	28,768
Telephones & Modems	80,000	80,000	65,868	14,132
Printing	101,500	97,240	43,351	53,889
Postage & Delivery	16,600	16,600	7,691	8,909
Office Supplies	93,210	101,950	71,949	30,001
Equipment Purchases	153,100	578,100	673,171	(95,071)
Equipment Rental	60,900	60,900	46,472	14,428
Repair & Maintenance-Furniture & Fixtures	194,700	194,700	228,897	(34,197)
Repair & Maintenance-Equipment	115,900	115,900	66,443	49,457
Rents & Lease - Offsite Storage	24,000	26,300	7,450	18,850
Los Angeles County Overhead	278,225	231,325	15,150	216,175
Contingency	326,800	328,800	77,840	250,960
Facilities & Other Supplies	58,200	58,200	30,091	28,109
Utilities	171,000	171,000	152,678	18,322
Educational Supplies	4,820	4,820	950	3,870
Cell Phones & BlackBerry	<u>28,000</u>	<u>28,000</u>	<u>28,111</u>	<u>(111)</u>
Total General Operating Expenditures	1,884,992	2,283,612	1,693,225	590,387
Professional Services				
Audit and Accounting Fees	184,000	184,000	196,800	(12,800)
Legal Fees	90,000	90,000	79,728	10,272
Membership Dues	70,836	70,836	43,277	27,559
Professional Development	16,936	16,936	5,855	11,081
Staff Recruitment	50,990	50,990	50,527	463
Commission Stipends	<u>30,000</u>	<u>30,000</u>	<u>23,850</u>	<u>6,150</u>
Total Professional Services	442,762	442,762	400,037	42,725
Consultant Services				
Consultant Fees	536,000	660,987	278,043	382,944
Other Professional Fees	272,986	318,986	168,844	150,142
Technical Assistance - GM*	-	305,000	206,414	98,586
Total Consultant Services	<u>808,986</u>	<u>1,284,973</u>	<u>653,301</u>	<u>533,086</u>
Travel and Meetings				
Conferences - Travel & Lodging	55,490	56,390	12,030	44,360
Conference - Registration Fees	64,086	63,701	22,510	41,191
Local Meeting Expenses	43,910	61,790	18,934	42,856
Lodging	40,988	49,384	8,385	40,999
Per Diem	<u>27,516</u>	<u>26,620</u>	<u>7,185</u>	<u>19,435</u>
Total Travel and Meetings	231,990	257,885	69,044	188,841
Total Operating Expenditures	<u>10,914,749</u>	<u>12,807,200</u>	<u>10,971,458</u>	<u>1,737,156</u>
Total Provider Grants and Operating Expenditures	<u>188,214,749</u>	<u>190,107,200</u>	<u>171,211,325</u>	<u>18,797,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (30,403,052)</u>	<u>\$ (32,295,503)</u>	<u>\$ (6,762,886)</u>	<u>\$ (12,160,547)</u>
Fund balance - Beginning of year			882,033,521	
Fund balance - End of year			<u>\$ 875,270,635</u>	

* One time/Cyclical Costs

See accompanying note to supplemental information.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
NOTE TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – BUDGET ADOPTION

Annually the Board of Commissioners adopts a budget. 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.

An annual budget is adopted on a basis that is consistent with generally accepted accounting principles.



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SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

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

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

We have audited the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 grants 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 September 9, 2009.

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

Macias Fini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
September 9, 2009



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SAN DIEGO

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have examined the compliance of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)* for the year ended June 30, 2009. Management is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements and performed the following procedures:

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

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

This report is intended solely for the information and use of the County Board of Supervisors, Board of Commissioners, Commission management, California Children and Families 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

Maurice J. O'Connell LLP

Certified Public Accountants

Los Angeles, California
September 9, 2009

**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.

	<u>Pages</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the Commission’s financial performance and well-being have changed over time.	36-39
<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the Commission’s most significant revenue base.	40-41
<u>Demographic Information</u> These schedules offer economic and demographic indicators to help the reader understand how the information in the Commission’s financial report relates to the services the Commission provides and the activities it performs.	42-43
<u>Operating Information</u> This schedule contains infrastructure data to help the reader understand how the Information in the Commission’s financial report relates to the services the Commission performs.	44

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
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
Invested in capital assets, net of related debt	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>\$ 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.

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:								
Tobacco taxes	\$ 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	15,445,577	15,098,348	11,563,470	15,343,412	11,820,145	-	-	-
State Commission Program Funds	6,438,881	5,673,958	2,300,312	1,490,053	1,202,599	-	-	-
Medical Administrative Activities	925,511	-	-	-	-	-	-	-
Investment income	28,102,852	34,996,079	42,823,178	30,799,531	13,158,681	8,520,520	-	-
Other revenues	453,762	467,302	290,768	314,658	434	-	12,075,618	15,705,615
Total revenues:	<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	160,239,867	130,894,482	129,614,460	119,067,100	92,727,156	79,133,367	57,137,029	26,299,583
Salaries and benefits	8,161,291	6,638,952	5,841,908	5,822,732	5,250,528	4,809,497	4,672,247	3,858,391
Operating services	1,090,947	693,968	855,192	860,634	933,586	951,337	890,097	1,387,808
Consultant services	653,301	415,736	415,822	531,042	129,320	128,168	201,551	109,575
Professional services	400,036	276,610	204,353	232,044	310,463	431,267	793,817	255,807
Other expenses	69,045	90,880	85,332	191	275,395	66,353	96,027	101,788
Depreciation	576,664	575,911	471,698	465,298	144,934	44,007	24,731	142,765
Total expenses:	<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>\$ (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 FIVE FISCAL YEARS***

	Fiscal Year				
	2009	2008	2007	2006	2005
Reserved:					
Reserved for encumbrances	\$ 341,203,752	\$ 504,505,166	\$ 639,223,219	\$ 679,128,690	\$ 699,098,261
Reserved for obligations	45,820,595	52,670,634	13,125,130	39,107,652	714,865
Reserved for First 5 California	30,050,843	52,161,039	31,794,550	60,712,820	43,817,472
Total reserved	<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	284,028,356	272,696,682	162,356,525	1,298,235	-
Unreserved	174,167,089	-	-	18,384,748	-
Total fund balances	<u>\$ 875,270,635</u>	<u>\$ 882,033,521</u>	<u>\$ 846,499,424</u>	<u>\$ 798,632,145</u>	<u>\$ 743,630,598</u>

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

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

	Fiscal Year				
	2009	2008	2007	2006	2005
Revenues:					
Tobacco taxes	\$ 114,925,729	\$ 122,655,958	\$ 127,012,312	\$ 131,223,184	\$ 138,542,842
State School Readiness	15,445,577	15,098,348	13,534,763	17,640,707	7,551,557
State Commission Program Funds	4,633,722	2,198,287	1,480,228	2,217,327	475,325
Medical Administrative Activities	925,511	-	-	-	-
Investment income	28,102,852	34,996,079	42,823,178	30,799,531	13,158,681
Other revenues	415,048	428,588	252,054	506,613	434
Total revenues:	<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>
Expenditures:					
Provider grants and other allocations	160,239,867	130,894,482	129,614,460	119,067,100	92,727,156
Salaries and benefits	8,155,851	6,599,446	5,831,492	5,802,008	5,243,147
Operating services	1,090,947	693,968	855,192	860,634	933,586
Consultant services	653,301	415,736	415,822	531,042	129,320
Professional services	400,036	276,610	204,353	232,044	310,463
Other expenses	69,045	90,880	85,332	191	275,395
Capital lease payments	-	-	-	-	8,498,702
Capital outlay	602,278	872,041	228,605	892,796	4,930,834
Total expenditures:	<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>\$ (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 2011/2012**

2006 Projected Births	2006 Projected Birthrate	2008-2009 Tax Revenue Projection	2007 Projected Births	2007 Projected Birthrate	2009-2010 Tax Revenue Projection	2008 Projected Births	2008 Projected Birthrate	2010-2011 Tax Revenue Projection	2009 Projected Births	2009 Projected Birthrate	2011-2012 Tax Revenue Projection	2010 Projected Births	2009 Projected Birthrate	2011-2012 Tax Revenue Projection
151,837	27.010%	\$118,466,120	151,813	26.816%	\$105,337,875	153,951	26.819%	\$101,318,791	155,918	26.823%	\$ 98,149,870	157,801	26.827%	\$ 95,187,244

Source:

First 5 California Children and Families Commission - 2009

(Updated 2/23/09 utilizing DOF January 2009 Tobacco Tax Projections and DOF 2008 Birth Projections for California State and Counties 1990-2017)

**LOS ANGELES COUNTY CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE, 1959-60 TO 2007-08
(In thousands of dollars)**

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate (%)
1	2	3	4	5	6	7
2007-08	\$955,030	\$8,185	\$963,215	\$727	\$85,929	45.13
2006-07	998,723	8,558	1,007,281	1,330	79,946	46.76
2005-06	1,026,497	8,795	1,035,293	1,707	67,348	46.76
2004-05	1,024,272	8,778	1,033,051	1,653	58,441	46.76
2003-04	1,021,366	8,755	1,030,121	4,721	44,166	46.76
2002-03	1,031,772	8,845	1,040,617	13,248	40,996	48.89
2001-02	1,067,004	9,146	1,076,150	10,774	50,037	52.65 d/
2000-01	1,110,692	9,503	1,120,195	8,741	52,834	54.89
1999-00	1,166,880	9,980	1,176,859	9,413	66,884	66.50
1998-99	841,911 e/	7,206	849,117	6,808	42,137 f/	61.53 f/
1997-98	612,066	5,244	617,309	5,448	39,617	29.37
1996-97	629,579	5,394	634,973	5,060	41,590	30.38
1995-96	639,030	5,469	644,499	6,193	32,788	31.20
1994-95	656,923	5,628	662,551	11,159	28,460	31.20
1993-94	647,993 g/	5,553	653,546	8,353	19,773	23.03
1992-93	667,479	5,715	673,195	9,138	21,480	26.82
1991-92	711,275	6,086	717,362	7,791	22,016	29.35
1990-91	729,612	6,242	735,854	7,904	24,064	34.17
1989-90	770,042 h/	6,581	776,623	11,615	24,956 h/	37.47
1988-89	499,712 h/	4,273	503,984	4,968	9,994 h/	41.67
1987-88	254,869	2,180	257,049	2,970		
1986-87	257,337	2,202	259,539	2,661		
1985-86	260,960	2,231	263,190	2,834		
1984-85	265,070	2,267	267,337	2,390		
1983-84	265,265	2,267	267,532	2,756		
1982-83	273,748	2,336	276,084	2,060		
1981-82	278,667	2,383	281,050	1,843		
1980-81	280,087	2,395	282,482	1,567		
1979-80	272,119	2,327	274,446	1,645		
1978-79	270,658	2,315	272,973	1,408		
1977-78	275,042	2,352	277,394	1,239		
1976-77	270,502	2,315	272,817	832		
1975-76	269,852	2,309	272,161	927		
1974-75	264,182	2,262	266,444	745		
1973-74	259,738	2,222	261,960	632		
1972-73	253,089	2,167	255,256	626		
1971-72	248,398	2,127	250,525	677		
1970-71	240,372	2,058	242,430	552		
1965-70	834,720 i/	9,011	843,731	1,492		
1960-65	351,101 j/	7,489 k/	358,590	334		
1959-60	61,791 l/	767 m/	62,558	67		

- 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.
- m. 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.

Source: State Board of Equalization 2007 - 2008 Annual Report.

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

Demographic Data

	1999*	2000**	2001**	2002**	2003**	2004**	2005**	2006**	2007**	2008**	2009**
Total Population	9,519,338	9,578,960	9,747,138	9,910,245	10,046,518	10,152,410	10,216,326	10,262,451	10,323,161	10,385,372	10,449,155
White	2,959,614	3,045,819	3,050,717	3,055,097	3,056,381	3,052,367	3,038,609	3,010,955	2,987,008	2,962,811	2,938,369
Hispanic	4,242,213	4,273,914	4,379,277	4,482,535	4,578,294	4,666,225	4,743,483	4,805,246	4,870,855	4,938,416	5,008,069
Asian	1,124,569	1,165,096	1,208,951	1,251,415	1,282,043	1,300,190	1,300,915	1,317,476	1,338,055	1,358,357	1,378,338
Black	901,472	910,077	914,075	917,014	916,627	912,476	904,314	896,702	891,788	886,951	882,167
Other/Multi-Race	291,470	184,054	194,118	204,184	213,173	221,152	229,005	232,072	235,455	238,837	242,212
Female	4,815,233	4,842,169	4,919,557	4,994,678	5,058,261	5,108,508	5,140,037	5,165,895	5,198,625	5,232,179	5,266,592
Male	4,704,105	4,736,791	4,827,581	4,915,567	4,988,257	5,043,902	5,076,289	5,096,556	5,124,536	5,153,193	5,182,563
Under 5 years	737,631	741,504	748,470	755,786	763,337	767,215	764,461	742,770	729,803	720,489	716,228
5-9 years	802,047	811,329	822,059	823,921	813,421	796,245	773,347	758,263	749,949	747,151	744,818
10-14 years	723,652	734,433	771,090	810,282	842,755	864,411	869,466	856,975	832,134	800,590	769,538
15-19 years	683,466	679,674	673,029	672,204	682,149	703,708	736,847	777,709	817,454	849,439	870,100
20-24 years	701,837	691,296	670,967	655,165	648,697	645,782	648,351	661,394	676,027	697,008	725,816
25-29 years	779,031	766,208	730,840	696,898	666,893	646,632	636,522	642,294	652,625	666,494	677,682
30-39 years	1,592,915	1,605,200	1,631,593	1,645,157	1,639,147	1,614,537	1,577,319	1,538,523	1,501,962	1,461,770	1,420,833
40-49 years	1,351,738	1,371,304	1,427,958	1,482,825	1,528,835	1,564,750	1,582,995	1,588,045	1,590,306	1,590,284	1,592,529
50-59 years	913,585	929,629	982,852	1,035,373	1,083,196	1,131,191	1,178,904	1,218,471	1,250,589	1,283,334	1,315,677
60-69 years	564,939	571,462	591,060	616,516	644,826	670,752	692,409	716,567	753,415	790,751	827,207
70-79 years	432,804	436,270	443,246	448,189	451,891	453,684	454,246	454,167	456,043	460,050	466,110
80+ years	235,693	240,651	253,974	267,929	281,371	293,503	301,459	307,273	312,854	318,012	322,617

Source:

* US Census Bureau, 2000 Census, SF1

** California Department of Finance, Demographic Research Unit

Economic Statistics

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
LA County Personal Income	\$ 263,987,000	\$ 279,050,000	\$ 294,508,000	\$ 301,003,000	\$ 310,044,000	\$ 329,048,000	\$ 349,868,000	\$ 370,860,000	\$ 379,824,000	\$ 411,000,000	na
LA County Per Capita	27,053	28,232	30,043	30,636	31,070	32,569	34,214	36,196	36,762	39,657	na
California Personal Income	999,228,183	1,103,841,912	1,135,304,060	1,147,715,704	1,187,040,144	1,265,970,355	1,342,753,688	1,445,580,645	1,520,754,918	1,569,369,645	na
California Per Capita	29,828	32,467	32,901	32,870	33,620	35,531	37,418	40,020	41,805	42,696	na
United States Personal Income	7,796,137,000	8,422,074,000	8,716,992,000	8,872,871,000	9,150,320,000	9,711,363,000	10,252,973,000	10,978,053,000	11,634,322,000	12,086,533,576	na
United States Per Capita	27,939	29,847	30,582	30,838	31,530	33,157	34,690	36,794	38,615	39,751	na

Source:

Bureau of Economic Analysis - Data shown in thousands of dollars

LA County Year 2008 is an estimate as of July 2008 forecast from Los Angeles Economic Development Corporation

2009 economic data is not yet available

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

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

* 2007 data

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

*** Year-end count

- Data not available

All education data is for public schools except line 50, private school enrollment

**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.