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, 2017

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Giving kids the best start

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(a Component Unit of the
County of Los Angeles, California)

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For the Year Ended June 30, 2017

Raoul Ortega

Director of Finance

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FOR THE YEAR ENDED JUNE 30, 2017

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October 12, 2017

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

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) for the year ending June 30, 2017, is hereby submitted, as mandated by applicable statutes. These statutes require First 5 LA to annually issue a report of its financial position and activity.

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

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on First 5 LA's financial statements for the year ending June 30, 2017. The independent auditors' report is located at the beginning of the financial section of this report. Management also provides a narrative introduction, overview and analysis of the basic financial statements in the form of the Management's Discussion and Analysis (MD&A).

PROFILE OF THE COMMISSION

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

Over the last seventeen years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocations of over $2.2 billion toward grants, programs and operations that improve the well-being of young children and families.

ECONOMIC OVERVIEW

Los Angeles County serves as the central trade district for the western United States and the gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy experienced moderate growth in 2015, with an increase of 3.7% in economic output (as measured by GDP), and a 2.9% increase in total taxable sales. In September of 2016, the County's unemployment rate fell to 5.2%, 8.0% below its July 2010 peak

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A PUBLIC ENTITY
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of 13.2% but still higher than the pre-recession low of 4.3%. The positive developments in the job market are expected to continue the downward trend in the unemployment rate.

The County enjoys a diverse industrial base, as private sector employment is well-represented in wholesale and retail trade, health care, manufacturing, and leisure and hospitality. A strong pace of growth (2.7% annually) is expected for the educational and health services industry with the addition of 106,400 jobs between 2015 and 2020, approximately one-third of which will be in the ambulatory health care and another third in social assistance.

ORGANIZATIONAL ALIGNMENT

During fiscal year 2016-17, First 5 LA transitioned to a new organizational structure and staffing aligned to First 5 LA's strategic direction, role and impact. Highlights to call out here include:

- Staffing – First 5 LA's evolving approach to impact – one that places less emphasis on direct services and more emphasis on partnership, policy and systems – has implications for First 5 LA's staffing. Our more collaborative, partners-focused approach to advancing shared policy and systems goals is more staff-intensive, relative to staff's more traditional contract solicitation and management roles.

- Staff development/support – First 5 LA recognizes the importance of supporting staff to learn and grow in their jobs and strengthen the skills and capabilities they need to succeed. Training priorities have been identified that are grounded in our commitment to effectively execute the Strategic Plan, invest in our employees, and secure First 5 LA's continued success as a high-performing, high-impact organization.

- Infrastructure/systems – Administration Division leadership worked collaboratively to identify specific business systems and processes to support First 5 LA's new Strategic Plan and direction. In an effort to create an organizational culture of more intentional learning by charting and accessing the flow of information, First 5 LA will implement a new Chart of Accounts in FY 2017-18 to help leverage financial data for broader learning and strategic purposed and initial implementation of a knowledge management strategy that will enable staff to capture and easily access data and information that can be used to inform our work and course-corrections.

A SHIFT IN APPROACH

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

This new approach is an important distinction from previous years and signals a transition that will allow Commission resources to have a broader impact for children and families across the County. Consistent with the Commission-approved strategic direction, First 5 LA will place greater emphasis on efforts to contribute to sustainable public financing, public policy and systems-level change, and less emphasis on funding direct services.

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

<u>Families</u>: Increased family Protective Factors

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

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

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

<u>Early Care and Education Systems</u>: Increased access to high-quality early care and education

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

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

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

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

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

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

LOOKING AHEAD

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

The next fiscal year reflects a continued gradual transition away from funding for the First 5 LA's Legacy Investments, with a shift in resources toward the outcomes and strategies detailed in the Strategic Plan. The FY 2017-18 budget continues to reflect costs for ongoing legacy initiatives that will soon be either ending or ramping down, but represents a nearly 20% decrease in anticipated spending from FY 2016-17, while simultaneously accounting for commitments made by the Commission. The Commission will continue to prioritize investments in the current Strategic Plan – such as Welcome Baby and Select Home Visiting, the Best Start Communities, policy and strategic communications efforts and resources for more developmental activity, to advance the 2015-2020 Strategic Plan.

It is important to note that the proposed work within the four outcome areas is at very different stages of development. While the organization's Welcome Baby and Select Home Visiting and the community capacity building work, within the Families and Communities outcome areas, respectively, represent ongoing work already in progress much of the proposed work in the Early Care and Education Systems (ECE) outcome area has just begun and the Health Related

Systems outcome area is still in the developmental stage, nearing implementation. ECE and Health Related Systems outcome areas are expected to develop and expand which will increase the expenditures for both in FY 2017-18 compared to prior year.

OTHER FINANCIAL INFORMATION

Internal Controls

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 controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Budgetary and Accounting System

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

Long Term Financial Projection

Each year, First 5 LA updates its Long Term Financial Projection (LTFP), a five-year forecast that includes revenue, fund balance, program commitments, expenditure projections and operating expenses. The goal of the LTFP is to aid in the Commission's financial stewardship role by showing the long-term implications of funding decisions. Changes to the LTFP may be driven by updates to actual financial data or action taken by the Commission. The most recent LTFP approved by the Commission in February 2017 demonstrates that while resources are adequate to cover existing obligations in the short-term, the current rate of spending is unsustainable in the long-term.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to First 5 LA for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the ninth consecutive year that First 5 LA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, First 5 LA must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Sincerely,

Kim Belshé
Executive Director

KB: ro

FIRST 5 LA

Commissioners
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Raoul Ortega, Finance
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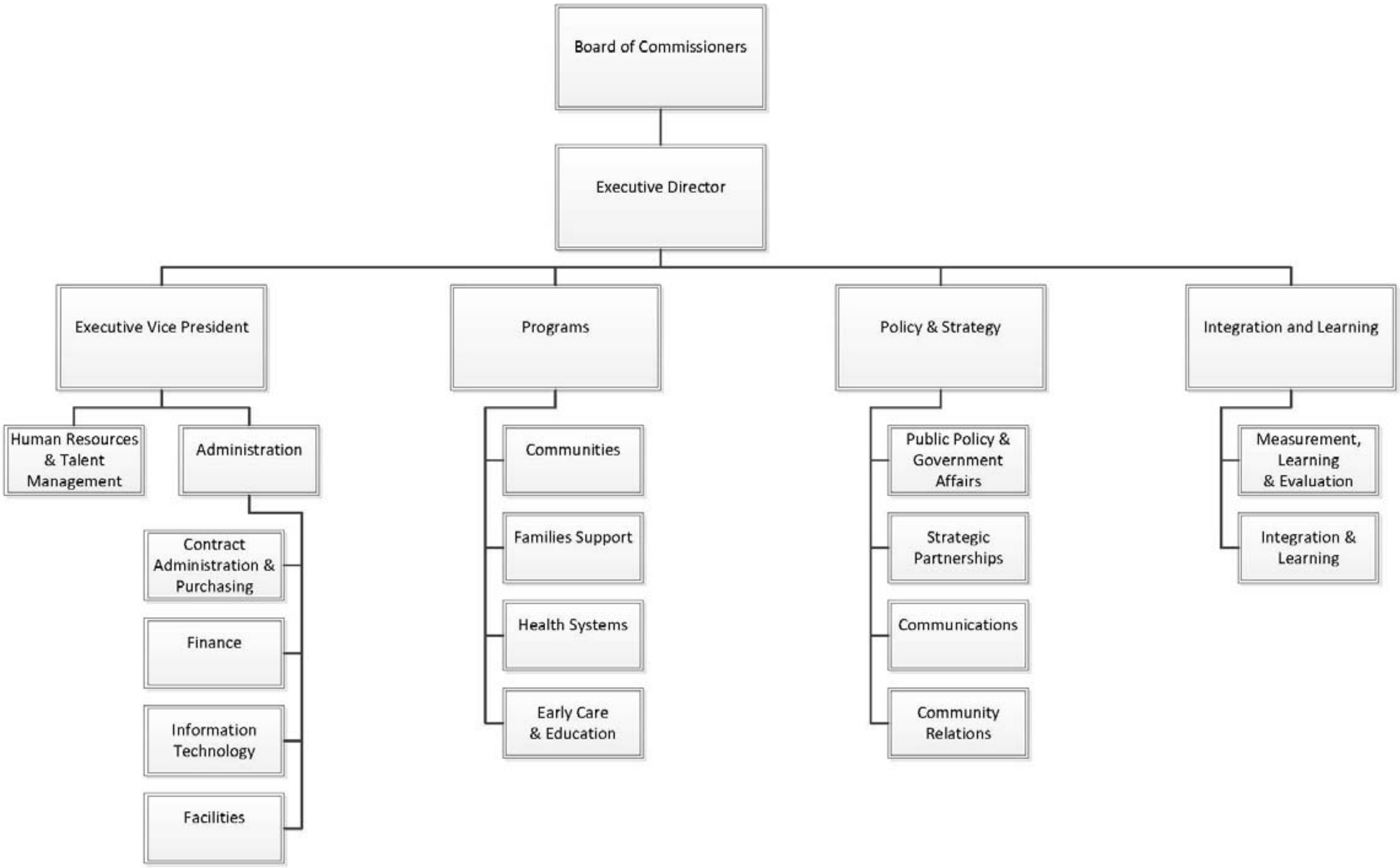
First 5 LA



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Administration
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Finance
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Communications
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Measurement, Learning & Evaluation
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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

First 5LA

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, schedule of First 5 California funding, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of First 5 California funding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of First 5 California funding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, 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 solely 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 effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 12, 2017

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 ending June 30, 2017. This discussion and analysis is intended to be read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission recognized a total of $84.1 million in revenues from First 5 California (the State), reflecting a 10.26% decrease of $9.6 million from $93.7 million in FY 2015-16. Total program revenues for FY 2016-17 in the amount of $89 million includes tobacco taxes, as well as pass-through funds for programs such as the First 5 California IMPACT funds, Medi-Cal Administrative Activities and the LA County Partnership for Families program funded through the Department of Children and Family Services.

- Commission expenses totaled $129.9 million in FY 2016-17, representing a 31.74% decrease of $60.4 million from $190.3 million in FY 2015-16.

- The Commission's liabilities decreased from $34.7 million in FY 2015-16 to $19.7 million in FY 2016-17, reflecting a total decrease of approximately $15 million, or 43.04%.

- The Commission's total net position decreased from $473.1 million in FY 2015-16 to $433.3 million in FY 2016-17, a decline of approximately $39.8 million, or 8.41%.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The Statement of Net Position includes information on all of the Commission's assets and liabilities, with the difference between assets and liabilities reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Commission's activities are accounted for in the general fund.

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

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

Government-wide Financial Statements Analysis

The following is a summary of the Commission's assets, liabilities and net position comparing FY 2016-17 with FY 2015-16:

	FY 2016-17	FY 2015-16	Percent change	Increase (Decrease)
Assets:				
Current and other assets	$441,761,263	$496,180,753	-10.97%	($54,419,490)
Capital assets	11,310,273	11,593,026	-2.44%	(282,753)
Total assets	$453,071,536	$507,773,779	-10.77%	($54,702,243)
Liabilities:				
Long-term liabilities	$608,795	$552,741	10.14%	$56,054
Other liabilities	19,137,224	34,115,242	-43.90%	(14,978,018)
Total liabilities	19,746,019	34,667,983	-43.04%	(14,921,964)
Net Position:				
Unrestricted	$422,015,244	$461,512,770	-8.56%	($39,497,526)
Net investment in capital assets	11,310,273	11,593,026	-2.44%	(282,753)
Total net position	433,325,517	473,105,796	-8.41%	(39,780,279)
Total liabilities and net position	$453,071,536	$507,773,779	-10.77%	($54,702,243)

The Commission's total assets of $453.1 million represent a decrease of $54.7 million, or a 10.77% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately $54.4 million. The key factor contributing to this reduction in total assets is that total expenses, including program expenses (such as provider grants and contractors), were higher than the total revenue by $39.8 million.

The $282,753 decrease in capital assets resulted from continued depreciation of the Commission's capital assets. The depreciation expense for FY 2016-17 was $309,327. Additional information on capital assets can be found in Note 3 of this report.

Other liabilities in FY 2016-17 decreased by 43.90% over the prior year and are primarily due to a reduction in program expenses which resulted in a decrease to accounts payable accrued in the current year compared to the prior year in the amount of $34.1 million.

The following is a summary of the Commission's revenues, expenses and change in net position comparing FY 2016-17 with FY 2015-16:

	FY 2016-17	FY 2015-16	Percent change	Increase (Decrease)
Revenues:				
Program revenues				
Tobacco taxes	$83,567,141	$87,942,700	-4.98%	($4,375,559)
Other State Commission program funds	556,665	5,796,252	-90.40%	(5,239,587)
Medi-cal administrative activities	137,599	159,549	-13.76%	(21,950)
Partnership for families funds	4,334,967	9,001,152	-51.84%	(4,666,185)
Other program revenue	401,956	115,000	249.53%	286,956
Total program revenues	$88,998,328	$103,014,653	-13.61%	($14,016,325)
General revenues				
Investment income	4,003,489	3,759,751	6.48%	243,738
Net increase (decrease) in FMV of investments	(3,026,254)	1,064,007	-384.42%	(4,090,261)
Other general income	122,208	119,100	2.61%	3,108
Total general revenues	1,099,443	4,942,858	-77.76%	(3,843,415)
Total revenues	90,097,771	107,957,511	-16.54%	(17,859,740)
Expenses:				
Provider grants and other allocations	106,777,128	159,337,913	-32.99%	(52,560,785)
Pass-through grants	4,150,975	13,519,735	-69.30%	(9,368,760)
Salaries and benefits	15,763,620	14,357,480	9.79%	1,406,140
Operating services	1,172,319	1,157,290	1.30%	15,029
Consultant services	999,806	990,724	0.92%	9,082
Professional services	346,529	323,336	7.17%	23,193
Other expenses	358,346	255,453	40.28%	102,893
Depreciation	309,327	316,567	-2.29%	(7,240)
Total expenses	129,878,050	190,258,498	-31.74%	(60,380,448)
Change in net position:	(39,780,279)	(82,300,987)	51.66%	42,520,708
Net position – beginning	473,105,796	555,406,783	-14.82%	(82,300,987)
Net position – ending	$433,325,517	473,105,796	-8.41%	($39,780,279)

Revenues
The Commission received a total of $90.1 million in revenues for FY 2016-17, reflecting a decrease of $17.9 million, or 16.54% compared with the prior year's total revenues of $108.00 million. The overall changes in revenue are due to the following.

Tobacco Tax
Tobacco tax revenue decreased from $87.9 million in FY 2015-16 to $83.6 million in FY 2016-17, a reduction of $4.4 million, or 4.98%. This decrease is due to declining sales of tobacco products, the decline in birth in Los Angeles County and the administrative fees assessed by the State Board of Equalization for the collection of tobacco taxes.

In addition, based on fourth quarter receivables, the decline in revenue from the passage of SBx27 and Prop 56 appears to be occurring sooner than the original projected impact date of July 2017. Per Proposition 56, backfill (or "hold harmless") amounts are calculated in arrears, which take into account the prior year actual revenue loss attributable to Proposition 56. After the one-time decline in revenue, which looks to have begun in FY 2016-17, the continued average decline is expected to be approximately 2.9 percent which has been the average standard rate of decline. As the backfill amount increases revenue in FY 2018–19, the ongoing available funds for transfer will stabilize the rate of revenue decline. With the hold harmless backfill clause in place, the overall projections only reflect a short term adjustment to tobacco tax revenue for both FY 2016-17 and the FY 2017-18. The long-term projections will reflect the Commission "being made whole" by FY 2018-19.

Other State Commission Program Funds
Other State Commission Program Funds decreased from $5.8 million in FY 2015-16 to $556,665 in FY 2016-17, a reduction of $5.2 million, or 90.4%. In FY 2016-17, the Commission recorded $433,549 in IMPACT funds, $55,050 in State Advocacy funds and $68,065 from First 5 California Surplus Money Investment Fund (SMIF). The decrease compared to prior year is primarily related to the ending of the Child Signature Program (CSP) CARES Plus.

Medi-Cal Administrative Activities
The Medi-Cal Administrative Activities (MAA) program decreased from $159,549 in FY 2015-16 to $137,599 in FY 2016-17. 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 reported. It is important to note that MAA reimbursements are based on activities that are reimbursed from 18 months prior to billing.

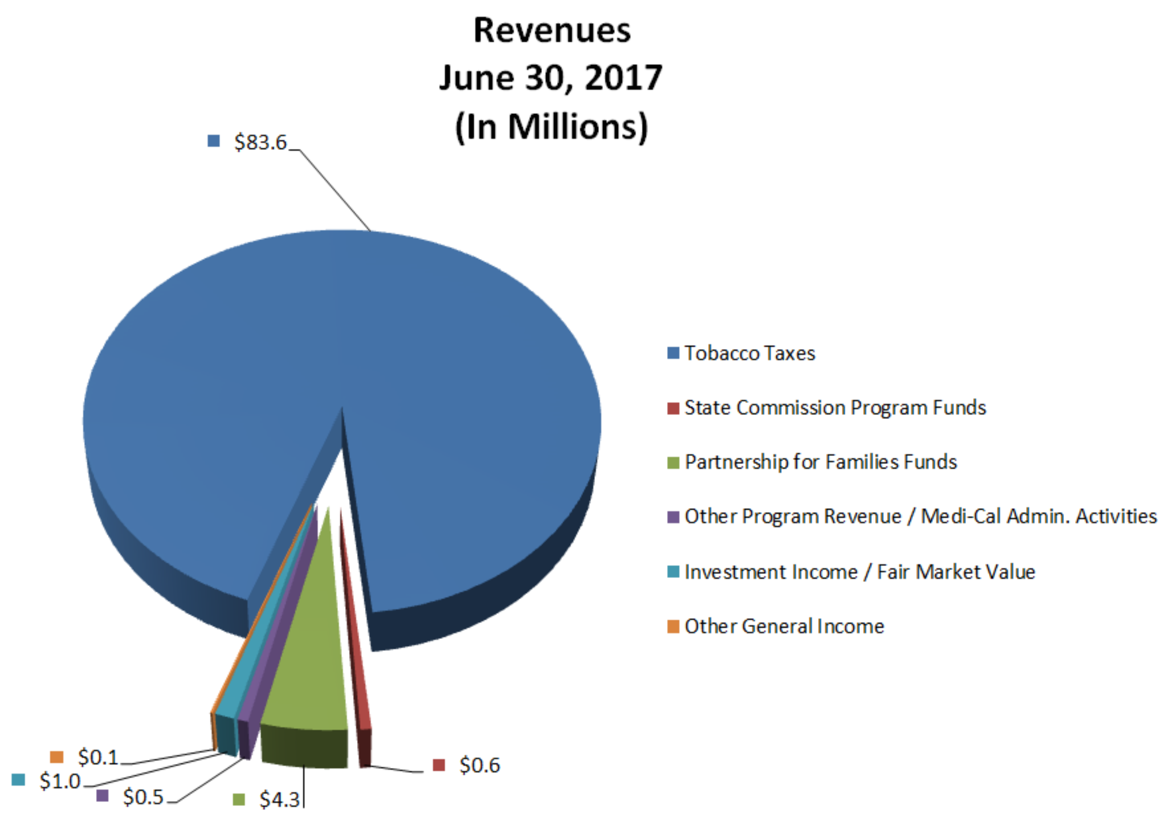
Partnership for Families Funds
The Commission recorded $4.3 million in revenue under the contract agreement with the Department of Children and Family Services (DCFS) to fund the Partnership for Families (PFF) program. While First 5 LA funding for PFF ended in December 2014, the program continued through funding from DCFS. First 5 LA agreed under contract to manage the program structure in order to allow DCFS additional time to continue with their formal procurement process and the eventual management of the program. As of December 2016, the program was successfully transitioned to DCFS.

Other Program Revenue
The Commission recorded $401,956 in revenue under the contract agreement with the California Department of Education. Funds are used to support First 5 LA Early Care and Education Strategy 2, Quality Rating Improvement System (QRIS). Under the agreement funds must be used for the CA-QRIS Certification grant and are limited to the certification of QRIS trainers, observers, assessors and coaches on a number of QRIS-related tools.

Investment Income
The Commission earned $4.0 million of investment income in FY 2016-17, which was an increase of roughly $243,738, or approximately 6.48%, compared with the $3.8 million earned in the prior year. Though the overall rate of return increased from the prior year with an average earning of 1.12%, the increase is also attributed to steady idle of cash balance available for investments.

Fair Market Value Market Adjustment
First 5 LA separates the Fair Market Value adjustment under investment income from the Statement of Activities to more accurately reflect true interest earned. In FY 2016-17, the Fair Market Value adjustment was down $3.0, compared to being up $1.1 million in FY 2015-16, reflecting a total decrease of $4.1 million. The decline in the fair market value of the County Pooled investment was the result of two interest rate hikes in the Federal Reserve interest rates in the last two quarters preceding the fiscal year-end which affected the short term fixed income investment held by the Los Angeles County Pooled.

Other Revenues
The Commission generated other revenue primarily through a lease agreement it has with La Petite Academy. This revenue increased by $3,108 from $119,100 in FY 2015-16 to $122,208 in FY 2016-17.



Expenses

The Commission recognized expenses of approximately $129.9 million in FY 2016-17 compared with $190.3 million in FY 2015-16, a decrease of $60.4 million, or 31.74%. The $60.4 million net decrease in overall expenditures encompasses the following from FY 2016-17.

Provider Grants and Other Allocations

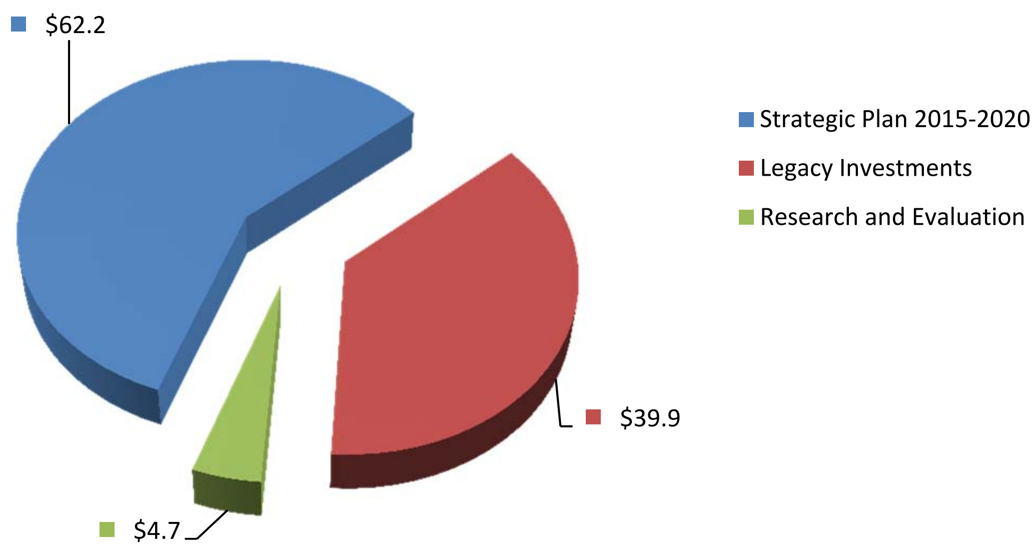
The Commission experienced a decrease of $52.6 million, or 32.99%, expending approximately $106.8 million in FY 2016-17 compared to $159.3 million in FY 2015-16 for "Provider grants and other allocations". This reduction represents roughly 87% of the overall decrease in expenditures the Commission experienced in FY 2016-17. The net decrease is a result of a number of initiatives ramping down or ending, as well as a delay in program costs during FY 2016-17, with a number of activities commencing later in the fiscal year and continuing into FY 2017-18. The following details activity based on the Commission's investment categories, reorganized per the new Strategic Plan, during the fiscal year:

- 2015-2020 Strategic Plan: Focusing for the Future: FY 2016-17 marks the second year to align with the current five-year Strategic Plan, represented in two primary areas of implementation activity - Strategic Plan Priority Outcome Areas and Strategic Plan Investment Areas & Support Costs. Roughly $62.2 million was expended in FY 2016-17, an increase of approximately $16.4 million as compared to FY 2015-16. The primary drivers for the increase were costs in support of the Early Care & Education (ECE) activities, which resulted in an increase of about $17 million from FY 2015-16, and costs in support of Health-Related Systems, with expenditures increasing from $27,000 to about $421,000 in FY 2016-17. Expenditures in FY 2016-17 in support of ECE activities increased in support of the development and launch of the activities while FY 2016-17 was primarily an infrastructure-building year for the Health-Related Systems outcome area. Conversely, much of the work within the Families and Communities outcome areas represented ongoing activities from prior years with incurred costs similar to FY 2015-16. FY 2016-17 reflected an overall increased level of resources to advance the strategic plan as the four priority outcome areas and support costs were more clearly delineated and programs gained traction and transitioned from the developmental stages to full program implementation.

- Legacy Investments: This category includes existing multi-year programs scheduled to conclude or be realigned with the 2015-2020 Strategic Plan during the new Strategic Plan term. Approximately $39.9 million was expended in FY 2016-17 which reflected a $67.1 million reduction in programs that expired or were reclassified in alignment to the current strategic plan. This included approximately $44 million in legacy investment funding for the Los Angeles Universal Preschool (LAUP) initiative, whose master agreement ended June 30, 2016. Additionally, there were also significant decreases in funding for several other programs identified within Legacy Investments as they continue to ramp down. The continued decline of resources in support of the Legacy Investments is as expected and will continue to decrease in the coming years.

- Research and Evaluation: This includes current investments that align and contribute to the 2015-2020 Strategic Plan, as well as ongoing projects aligned to our legacy investments and the organization's ongoing commitment to learning. The reduction in FY 2016-17 costs is indicative of a realignment of funds, increasing the Data Development and Integration and Data Partnership with Funders initiatives while decreasing resources within the Program Evaluation initiatives by nearly 28%. This reduction in Program Evaluation costs is reflective of the continuing decline in legacy investments as the evaluation and outcome studies associated with those projects also conclude or begin to ramp down. Total expenditures in FY 2016-17 amounted to approximately $4.7 million, approximately $1.9 million less than the $6.6 million incurred in FY 2015-16.

First 5 LA Funded Provider Grants and Other Allocations Expenses
June 30, 2017
(In Millions)



Pass-through Grants

For FY 2016-17, $4.2 million was recorded as "pass through grants" compared to $13.5 million in FY 2015-16, a reduction of $9.37 million or 69.3%. Of the $4.2 million, $4.1 million was for the Los Angeles County Department of Children and Family Services Partnership for Families (LAC-PFF) program and $45,331 for Medi-Cal Administrative Activities. This decrease is due to Pass-through funding from DCFS to First 5 LA for the management and oversight of PFF program ended December 2016 and no expenditures reported for the Child Signature Program (CSP) for FY 2016-17.

Salaries and Benefits

Salaries and Benefits increased from FY 2015-16 by $1.4 million or 9.79%. This is due to fewer vacant positions than in FY 2015-16, a 5% increase to the health benefits, a 36% increase to employee parking, as well as an ongoing increase in salary costs attributed to the implementation of the compensation philosophy by the Commission in November 2014.

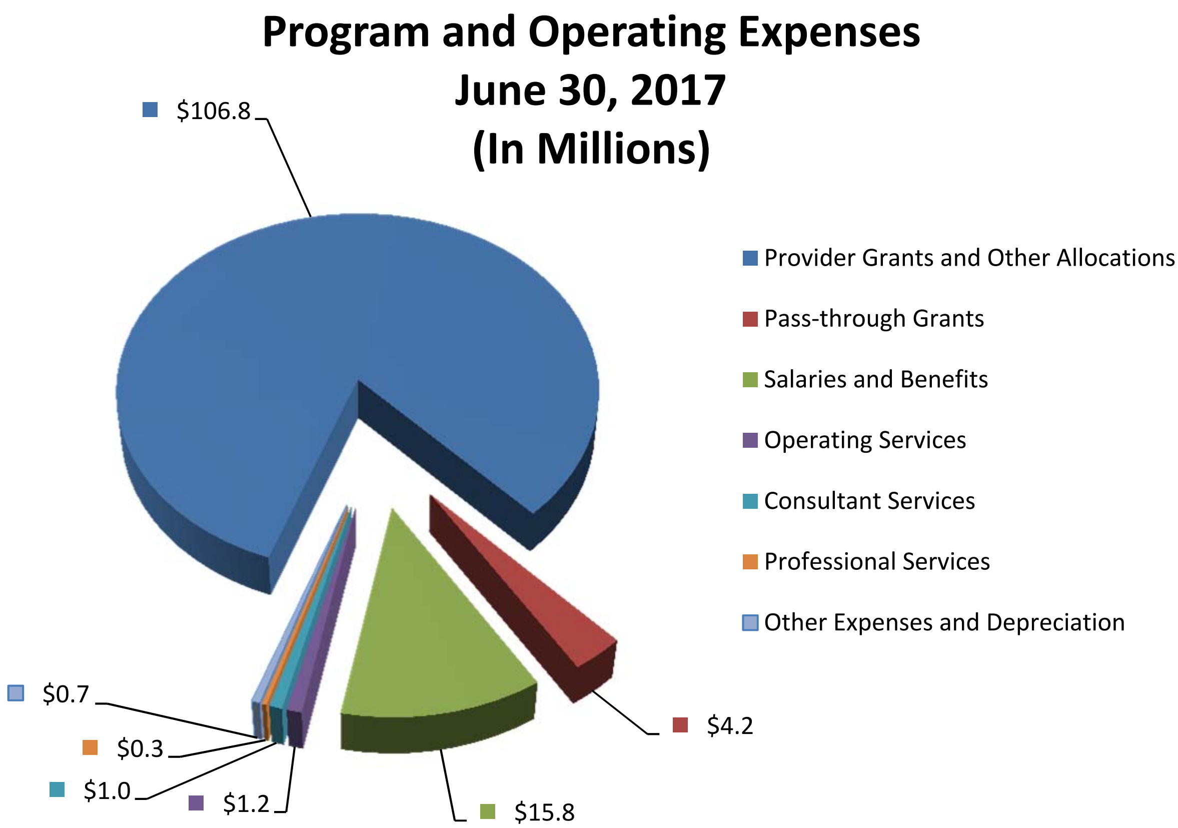
Operating Services

Operating Services increased by $15,029, a 1.3% increase from prior year as a result of minimal increases in general operating costs throughout the organization such as mileage and parking, mobile devices, postage, printing, subscriptions and publications, and office supplies.

Consultant Services

Consultant services increased by $9,082 or 0.92% compared with FY 2015-16. The increase is primarily due to the Chart of Accounts Project that was planned and designed in FY 2016-17 and costs for leadership training.

Professional Services
Professional services increased from FY 2015-16 by $23,193 or 7.17%. The increase is primarily due to greater investment in professional development for staff and a slight increase in professional dues for membership fees in FY 2016-17.



Analysis of the Governmental Fund

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

As of the end of FY 2016-17, the Commission's general fund reported a total ending fund balance of $422 million, a decrease of $38 million (8%) in comparison with the prior fiscal year balance of $460 million.

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

Budgetary Highlights

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

Final Revenue Budget vs. Actual Revenue

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

Tobacco Taxes
Actual tobacco tax revenue of $83.6 million was approximately $3.4 million, or 3.94% lower than the anticipated amount of $87.0 million. The original estimate of $87.0 million was based on data from the State Board of Equalization dated June 27, 2016 and reaffirmed with updated projections dated July 28, 2017.

Based on fourth quarter receivables, the impact from the passage of SBx27 and Prop 56 appears to be occurring sooner than originally projected, which was not until FY 2017-18.

State Commission Program Funds
Actual State Commission Program Funds in the amount of $2.4 million were attributed to unavailable revenue in the amount of $1.9 million which was reported in the statement of activities in the prior year. For FY 2016-17, $556,665 was recorded for First 5 California IMPACT funds, State Advocacy funds and from the First 5 California Surplus Money Investment Fund (SMIF).

Investment Income
Investment income of $4.0 million was earned in FY 2016-17. The monthly average return of 1.12% is higher than the 1.02% anticipated and included in the Long Term Financial Projection approved by the Commission in February 2017.

Original Expenditure Budget vs. Final Expenditure Budget

In March 2017, the Commission approved an overall reduction of $14.5 million or 9% from the original approved $161.5 million FY 2016-17 Budget, the following provides a brief summary of the primary factors that contributed to the decrease in the final budgeted expenditures compared with the original budgeted expenditures.

Provider Grants and Other Allocations
The overall Program Budget (Provider Grants and Other Allocations) was adjusted downward during the year by $14.5 million, or 10.4%. In April 2017 the Commission approved a mid-year budget revision reducing the Families investment by $6.1 million, the Communities investments by $1.5 million, Early Care & Education (ECE) by $821,000, Health Systems by $1.2 million, Legacy Investments by $2.3 million and Research & Evaluation projects by roughly $1.3 million. The overall reduction was driven by a few factors, including the lower than expected enrollment rates across the Welcome Baby Hospitals, delays in executing a pilot program in conjunction with external partners within the Select Home Visiting program, delays in comprehensive program implementation for a variety of reasons throughout all program areas, a slower than expected ramp up for ECE and Health-Related activities and adjustments based on updated information and changing circumstances for a number of programs.

General Operating Expenditures
Adjustments to the Operating Budget represented movements of funds between cost categories at the departmental level based on updated assessments of need, which aggregated into the agency-wide adjustments. The net result of the various adjustments was cost neutral, with no net change to the Operating Budget.

Funds were adjusted downward by $20,535 at mid-year. This decrease of 1.40% includes a number of transfers both in and out and is primarily due to a net reduction in Hardware and Software Maintenance of $30,000, reduction in costs related to Miscellaneous/Contingency of $10,000 and other minor reductions offset by increase in Telephones and Modems for $18,000 and other Supplies for $10,000. The reduction in Hardware and Software Maintenance is due to the termination of the SharePoint contract.

Professional Services

Funds were adjusted downward at mid-year by $27,300 to reflect revised projections based on expenditures through January 2017 as well as net increase of $1,000 in Professional Dues based on membership due needs.

Consultant Services

Funds were adjusted upward at mid-year, resulting in a net increase of $167,000 or 11.19%. This is driven primarily by additional funds needed for Consultant Fees related to the provision of coaching at various levels, the IT Assessment project, and the Chart of Accounts project.

Travel and Meeting

Funds were adjusted upward at mid-year by $17,500 to reflect revised projections based on expenditures through January 2017.

Final Expenditure Budget vs. Actual Expenditure Amounts

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

Provider Grants and Other Allocations

The total Provider Grants and Other Allocations variance for FY 2016-17 was approximately $19 million. The FY 2016-17 budget to actual variance is a result of underspending within the 2015-2020 Strategic Plan and Research & Evaluation activities, and slight overspending among the Legacy Investment activities. It should be noted that although spending among the Legacy Investments exceeded the Final Expenditure budget, the expenditures were still within the designated allocation for these activities.

The 2015-2020 Strategic Plan Investments represent just over $18.5 million in underspending resulting from prolonged program planning and development associated with programs, primarily within the Early Care & Education and Health-Systems outcome areas and lower than expected program enrollment rates within Welcome Baby and Select Home Visitation, as well as some delays in contract/vendor negotiations. The Legacy Investment overspending by nearly $63,000 was primarily the result of significant overspending within the Universal Assessment of Newborns (UAN), the Welcome Baby program resources in support of non-Best Start clients. The year-end assessment of actual costs in relation to Best Start and non-Best Start clients receiving Welcome Baby services resulted in a realignment of expenditures with a greater percentage attributed to UAN. The result was an increase to the Legacy Investments and a decrease to the Families Strategic Plan outcome area.

Research & Evaluation's $504,000 in underspending was primarily caused by the accelerated ramp down of activities within the Program Evaluation initiative. Other programs throughout all categories experienced a variety of program implementation and activity delays, including Communications & Marketing, all of which resulted in net underspending of approximately $19 million.

Pass-through Grants
The total expenditures related to pass-through grants were $4.2 million for FY 2016-17. This amount is a result of funding from the Department of Children and Families Services to First 5 LA for the management and oversight of the Partnership for Families program that ended in December 2016. The Commission's annual fiscal year budget is developed to include planned expenditures of the Commission's funds only; programs that are funded via pass-through grants in which the Commission acts as an intermediary are not included in the annual budget to accurately represent expenditures of Commission funded provider grants and other allocations.

Salaries and Benefits
Salary and benefit costs were lower than budgeted, with a variance of $1.2 million. This is due to a combination of regular employee turnover and vacant positions, as well as a conservative budgeting approach. Specifically, for FY 2016-17 vacant positions were budgeted at the mid-range of the salary guidelines and were also budgeted for a full 12 months.

Workers Compensation Insurance
Costs related to Workers Compensation Insurance were lower than budgeted with the variance of $17,558, because of conservative budgeting approach.

Telephones & Modems
FY 2016-17 expenditures exceeded the budget by $7,078. The overage is primarily due to increase in long-distance telephone charges related to conference calls.

Equipment Repairs and Maintenance
Equipment Repairs and Maintenance were lower than budgeted, with a variance of $20,261, or 90%. This is due to fewer repairs and maintenance needs than originally anticipated for FY 2016-17.

Hardware and Software Maintenance
Hardware and Software Maintenance costs were higher than budgeted, with a variance of $7,071, or 4%. This was due to slightly higher costs than originally anticipated.

Audit and Accounting Fees
Audit and Accounting Fees were lower than budgeted, with a variance of $33,915, or 48%. This is primarily due to delay in professional services invoice for the interim field work that was scheduled in July 2017.

Professional Development
Professional Development costs were lower than budgeted, with a variance of $152,944, or 64%. This is primarily due to the organization's efforts to establish a comprehensive professional development approach, which resulted in some intended expenses temporarily being placed on hold.

Staff Recruitment
Costs for Staff Recruitment were lower than budgeted, with a variance of $13,971, or 46%. This is due to lower costs for recruitment than originally anticipated.

Consultant Fees
Consultant Fees were lower than budgeted, with a variance of $637,591, or 46%. This is primarily due to delay in IT Assessment project and fewer consultant fees than originally anticipated.

The final budget for Operations remained the same at $21.2 million for FY 2016-17, while the Program Budget was decreased by $14.5 million due to reductions driven by slower than anticipated ramp up, actual contracts coming in lower than the original budget estimates and underutilization within some of the direct service programs.

Other Potentially Significant Matters

Based on the projections published by the Department of Finance on July 28, 2017, the projected annual revenue is estimated to decline by roughly 16% in FY 2017-18 from the FY 2016-17 actual revenue. This is largely due to the passage of SBx27, which increases the tobacco purchasing age from 18 to 21, and Prop 56, which increases the cigarette tax by $2 per pack and implements a taxation of e-cigarettes. It is important to note that a backfill was built into the Prop 56 language which is essentially a "hold harmless" to keep Proposition 10 revenue whole for participating counties, in response to the anticipated fiscal impact resulting from the legislation. The Commission is in a position to absorb the one-time 16% cut in revenues in the short-term due to the existing available fund balance. In the long-term, the backfill clause will keep the Proposition 10 revenue intact and the Commission anticipates resuming the standard 2-4% rate of revenue decline by FY 2018-19.

Contacting the Commission's Financial Management

This financial report is designed to provide the public with an overview of the Commission's financial operations and condition. If you have questions about this report or need additional information, please contact the Commission's Director of Finance at (213) 482-7545 or 750 N. Alameda Street Suite 300, Los Angeles, California 90012.

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2017

	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash	$ 436,830	$ -	$ 436,830
Investments	410,615,782	-	410,615,782
State receivable	10,385,080	-	10,385,080
Investment income receivable	563,066	-	563,066
Advances to grantees	19,760,505	-	19,760,505
Capital assets:			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	9,271,273	9,271,273
Total assets	$ 441,761,263	$ 11,310,273	$ 453,071,536
Liabilities			
Accounts payable and accrued liabilities	$ 19,137,224	$ -	$ 19,137,224
Other liabilities	-	16,480	16,480
Compensated absences:			
Due within one year	-	97,612	97,612
Due in more than one year	-	494,703	494,703
Total liabilities	19,137,224	608,795	19,746,019
Deferred Inflows of Resources			
Unavailable revenue - State Commission Program Funds	83,066	(83,066)	-
Unavailable revenue - Other	401,956	(401,956)	-
Total deferred inflows of resources	485,022	(485,022)	-
Fund balance/net position			
Fund balance:			
Nonspendable	19,760,505	(19,760,505)	-
Committed	216,214,576	(216,214,576)	-
Assigned	128,331,556	(128,331,556)	-
Unassigned	57,832,380	(57,832,380)	-
Total fund balance	422,139,017	(422,139,017)	-
Net position:			
Net investment in capital assets	-	11,310,273	11,310,273
Unrestricted	-	422,015,244	422,015,244
Total net position	-	433,325,517	433,325,517
Total liabilities, deferred inflows of resources and fund balances/net position	$ 441,761,263	$ 11,310,273	$ 453,071,536

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, 2017

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions:			
Tobacco taxes	$ 83,567,141	$ -	$ 83,567,141
State Commission Program Funds	2,411,083	(1,854,418)	556,665
Medi-Cal Administrative Activities	137,599	-	137,599
Partnership for Families Funds	4,334,967	-	4,334,967
Other program revenue	-	401,956	401,956
Total program revenues	90,450,790	(1,452,462)	88,998,328
General revenues			
Investment income	4,003,489	-	4,003,489
Net decrease in FMV of investments	(3,026,254)	-	(3,026,254)
Other general income	190,539	(68,331)	122,208
Total general revenues	1,167,774	(68,331)	1,099,443
Total revenues	91,618,564	(1,520,793)	90,097,771
Expenditures/expenses			
Provider grants and other allocations	106,777,128	-	106,777,128
Pass-through grants	4,150,975	-	4,150,975
Salaries and benefits	15,724,046	39,574	15,763,620
Operating services	1,172,319	-	1,172,319
Consultant services	999,806	-	999,806
Professional services	346,529	-	346,529
Other expenses	358,346	-	358,346
Capital outlay	26,574	(26,574)	-
Depreciation	-	309,327	309,327
Total expenditures/expenses	129,555,723	322,327	129,878,050
Excess/(deficiency) of revenues over/(under) expenditures	(37,937,159)	-	-
Net Change in Fund Balance	(37,937,159)	37,937,159	-
Change in Net Position	-	(39,780,279)	(39,780,279)
Fund balance/net position			
Beginning of year	460,076,176	13,029,620	473,105,796
End of year	$ 422,139,017	$ 11,186,500	$ 433,325,517

See accompanying notes to the basic financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

Basis of Accounting and Measurement Focus

<u>Government-wide Financial Statements</u>

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

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

Government-wide Financial Statements (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with operation of the Commission's fund are included on the statement of net position. The statement of activities presents a comparison of the direct expenses and program revenues for the Commission's governmental activities. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues include tobacco taxes and grants and contributions that are restricted to meeting the operational requirements of a particular program. General revenues are all revenues that do not qualify as program revenues and include investment income and other income. Net position represent the resources that the Commission has available for use in providing services. Net position is composed of net investment in capital assets and unrestricted funds. At June 30, 2017, the Commission reported unrestricted net position of $422,015,244.

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current-financial resources measurement focus. The fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current resources. All operations of the Commission are accounted for in the general fund.

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

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Capital Assets

Capital assets are not considered to be financial resources and therefore, are not reported as an asset in the fund financial statements. Capital assets in the amount of $11,310,273 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 $26,574 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, 2017 amounted to $309,327 and is included in the government-wide financial statements.

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

Long-Term Liabilities

As of June 30, 2017, the Commission estimated its liability for vested compensated absences to be $592,315. 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 $39,574 is reported in the statement of activities and does not require the use of current financial resources.

For the year ended June 30, 2017, the Commission maintained a security deposit in the amount of $16,480 related to a facility use agreement with La Petite Academy for use of the first floor of the Commission's building for the period of July 1, 2012 through June 30, 2020.

Unavailable Revenue

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due to the Commission are recognized as unavailable revenue at year-end in the fund financial statements. Governmental funds recognized unavailable revenue where receivables are not available to liquidate liabilities of the current period. As of June 30, 2017, the Commission has unavailable revenue of $485,022. The change in unavailable revenue during the year of $1,520,793 is reported in the statement of activities as this revenue was recognized in the prior year statement of activities.

Net Position

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

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

Fund Balance

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission established the following classifications and definitions of fund balance for the year ended June 30, 2017:

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

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

Fund Balance (Continued)

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

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

d. Assigned (limitation resulting from intended use)
Amounts or limitations that are constrained by the Commission's intent to be used for a specific purpose (the purpose of the assignment must be narrower than the general fund itself) and are not either restricted or committed. Adoption of a Strategic Plan or Long Term Financial Plan with general spending parameters would be examples of the Commission's intent and would constitute an assignment. Accordingly, modification to the Commission's intent would not require formal action. Further, the Commission may designate a body/committee or an official who can specify such purposes. However as of June 30, 2017, the Commission had not made such a designation.

e. Unassigned (residual net resources)
Resources in the fund balance that cannot be reported in any other classification including a minimum fund balance reserve based on 25% of the operating and programmatic budget. It also includes the negative residual fund balance that cannot be eliminated by offsetting assigned fund balance amounts.

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

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective in Future Fiscal Years

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

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

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

Effective in Future Fiscal Years (Continued)

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

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Commission has not determined the effect of the Statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Commission has not determined the effect of this Statement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017. The Commission has not determined the effect of the Statement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017. The Commission has not determined the effect of the Statement.

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

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

Effective in Future Fiscal Years (Continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019. The Commission has not determined the effect of the Statement.

Investments

The Commission participates in the common investment pool of Los Angeles County. Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Los Angeles County Treasurer is responsible for establishing and consistently applying a policy for identifying those events that might affect fair value measurements.

Advances to Grantees

The Commission may provide advances to grantees/contractors that are repayable by the end of the fiscal year unless otherwise stipulated by contract or agreement. The Commission has two outstanding advances to grantees as of June 30, 2017. Los Angeles Universal Preschool provides quality preschool education and early childhood programs regardless of their families' income and Los Angeles Health Care Plan provides health insurance coverage for children zero through five within the greater Los Angeles area.

Advances to Grantees:	
Los Angeles Universal Preschool	$ 11,777,296
Los Angeles Health Care Plan	7,983,209
Total Advances to Grantees	$ 19,760,505

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

Capital Assets

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

Deferred Inflows of Resources

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

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Total cash and investments at fair value, as of June 30, 2017 are as follows:

Cash:	
Cash on hand	$ 150
Cash in bank	436,680
Total Cash	436,830
Investments with County Treasurer:	
Pooled cash and investments	410,615,782
Total Cash and Investments	$ 411,052,612

Cash in Bank

The *California Government Code* requires California banks and savings and loan associations to secure the Commission's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2017, cash held by financial institutions of $8,719,528 was entirely insured and collateralized as described above. The book balance at June 30, 2017 was $436,680.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2017 are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. As of June 30, 2017, the Commission's percentage of participation is 1.39. 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, 2017, the weighted average maturity for the County pool approximated 672 days and the County pool is not rated. For further information regarding the Los Angeles County Investment Pool, refer to the County of Los Angeles Comprehensive Annual Financial Report.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Commission held no individual investments. All funds were invested in the Los Angeles County Investment Pool.

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

Deposits and withdrawals are made on the basis of $1 and not fair value. Accordingly, the Commission's proportionate share of investments in the Los Angeles County Investment Pool at June 30, 2017 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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

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

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

NOTE 3 – CAPITAL ASSETS

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not depreciated:				
Land	$ 2,039,000	$ -	$ -	$ 2,039,000
Capital assets, depreciable:				
Building and improvements	12,076,512	-	-	12,076,512
Computer software and accessories	1,779,722	26,574	-	1,806,296
Office equipment	331,035	-	-	331,035
Furniture and fixtures	627,670	-	-	627,670
Total Depreciable Capital Assets	14,814,939	26,574	-	14,841,513
Less accumulated depreciation:				
Building and improvements	(2,677,896)	(242,680)	-	(2,920,576)
Computer software and accessories	(1,658,129)	(48,102)	-	(1,706,231)
Office equipment	(297,219)	(18,545)	-	(315,764)
Furniture and fixtures	(627,669)	-	-	(627,669)
Total Accumulated Depreciation	(5,260,913)	(309,327)	-	(5,570,240)
Total Capital Assets, Depreciable (Net)	9,554,026	-	-	9,271,273
Capital Assets, Net	$ 11,593,026	$ (282,753)	$ -	$ 11,310,273

NOTE 4 – CHANGES IN COMPENSATED ABSENCES

Compensated absences liability activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Compensated absences	$ 552,741	$ 702,482	$ (662,908)	$ 592,315	$ 97,612

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 – FUND BALANCE

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2017 consists of the following:

INITIATIVE/PROGRAM ALLOCATION

		NONSPENDABLE
Advances:		
LA Care Health Plan	$	7,983,209
LAUP		11,777,296
TOTAL	$	19,760,505
		COMMITTED
At-Risk Fathers Investment	$	530,033
Baby Friendly Hospitals/Family Place Libraries		23,544,961
Black Infant Health		4,835,690
Children's Dental Care		12,158,040
Children's Vision Care		195,952
Communications & Marketing		6,044,000
Communications - Conference Funding		300,000
Communities		18,337,000
Communities of Practice		51,000
County Partnerships		50,000
Data Development & Integration		1,050,000
Data Partnership with Funders		1,508,121
Early Care & Education Systems		22,080,000
Early Identification & Intervention - Autism & Other Developmental Delays		1,312,665
Emerging Opportunities - Policy & Strategy/Integration & Learning		125,000
Families		29,526,000
Grantee Assessment		75,000
Healthy Food Access		776,605
Health Related Systems		4,118,000
Information Resource and Referral		1,240,000
LAUP		24,108,750
Learning Plan Development		100,000
Little by Little/One Step Ahead		18,901,074
Organizational-wide Investment		96,000
Parent-Child Interaction Therapy		9,472,812
Reducing Childhood Obesity		455,545
Policy Advocacy Fund		310,000
Policy Agenda/Advocacy		2,820,000
Program Evaluation		4,105,000
Strategic Partnership-Cross-Cutting Funder Partnership		660,000
Strategic Partnership-Grantmaking Memberships		42,000
Strategic Partnership-Organizational Capacity		200,000
Strategic Partnership-Partnership Development		250,000
Universal Assessment of Newborns		23,344,830
Workforce Development		542,000
Workforce Development - ECE Workforce Consortium		2,948,498
TOTAL	$	216,214,576

NOTE 5 – FUND BALANCE (Continued)

		ASSIGNED
Strategic Plan	$	128,331,556
TOTAL	$	128,331,556
		UNASSIGNED
Unassigned	$	57,832,380
TOTAL	$	57,832,380
Total Fund Balance	$	422,139,017

The minimum fund balance reserve of $36,218,276 is included as part of unassigned fund balance.

NOTE 6 – PROGRAM EVALUATION

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

The Commission spent $5,653,224 on program evaluation during the year ended June 30, 2017.

NOTE 7 – DEFERRED COMPENSATION PLANS

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

Regular and limited-term employees are eligible to receive both an elective and a non-elective contribution based on years of completed service with the organization. The elective contribution requires employee participation in order to receive the employer match, and is between 1% and 3% depending on the employee's contribution and the years of service the employee has completed with the organization: 1% for less than one year, 2% after one year and 3% for after two years or more of completed service. The Commission also makes a separate, non-elective contribution into the retirement plan regardless of employee participation. This non-elective employer contribution is between 3% and 7.5% based on years of completed service with the organization: 3% for less than 5 years, 4.5% for 5 to 9 years, 6% for 10 to 14 years, and 7.5% after 15 years or more of completed service. Employer contributions are not 100% vested until an employee has completed three years of service with the organization, with a graded vesting schedule for employees who complete at least one year of service. The Commission contributed a total of $751,612 which comprised of $293,460 in elective contribution and $458,152 in non-elective contribution for the fiscal year ended June 30, 2017.

NOTE 8 – UNAVAILABLE REVENUE

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

Unavailable Revenue:		
Surplus Money Investment Funds	$	68,066
State Advocacy Alignment Funds		15,000
California Quality and Improvement System Certification Grant		401,956
Total Unavailable Revenue	$	485,022

NOTE 9 – RISK MANAGEMENT

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

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Lease

The Commission leases equipment from a third party which expires in July 2019 and May 2022 and are non-cancelable. The future minimum rental payments due under the lease are as follows:

For Year Ending June 30,		Annual
2018	$	31,107
2019		31,107
2020		14,017
2021		12,463
2022		11,425
Total	$	100,119

The Commission recognized $100,728 in lease expense for the year ended June 30, 2017.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Future Funding

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

NOTE 11 – RELATED PARTY TRANSACTIONS

The Commission incurred expenses totaling $25,814 for County of Los Angeles services provided during the year ended June 30, 2017.

The Commission paid $76,458,482 of provider grants, operating services, consultant services, and professional services to organizations which are represented by 12 members of the Board of Commissioners.

NOTE 12 – FIRST 5 CALIFORNIA SIGNATURE PROGRAMS

Improve and Maximize Programs so All Children Thrive (IMPACT) Regional Coordination and Training and Technical Assistance Hubs (Hubs) Program

The purpose of IMPACT is to support a network of local quality improvement systems to better coordinate, assesses, and improve the quality of early learning settings to achieve the goal of helping children ages 0 to 5 and their families thrive by increasing the number of high quality early learning settings, including supporting and engaging families in the early learning process. The primary focus of IMPACT Hubs is to provide coordination and specialized support to consortia within a region or with similar technical assistance needs to create economies of scale while building a local early learning system. The Commission claimed $580,053 in IMPACT Hubs reimbursable expenditures for the year ended June 30, 2017.

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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tobacco taxes	$ 87,017,941	$ 87,017,941	$ 83,567,141	$ (3,450,800)
State Commission Program Funds	-	-	2,411,083	2,411,083
Medi-Cal Administrative Activities	-	-	137,599	137,599
Partnership for Families Funds	-	-	4,334,967	4,334,967
Investment income	4,255,138	4,255,138	4,003,489	(251,649)
Net increase (decrease) in FMV of investments	-	-	(3,026,254)	(3,026,254)
Other general income	2,030,611	2,030,611	190,539	(1,840,072)
Total revenues	93,303,690	93,303,690	91,618,564	(1,685,126)
Expenditures				
Program Costs				
Provider grants and other allocations	140,285,000	125,759,500	106,777,128	18,982,372
Pass-through grants	-	-	4,150,975	(4,150,975)
Total Program Costs	140,285,000	125,759,500	110,928,103	14,831,397
Operations & Administration				
Personnel related expenditures				
Salaries and wages	13,178,557	13,041,892	12,283,352	758,540
Fringe Benefits	3,909,538	3,909,538	3,440,694	468,844
Total Personnel Related Expenditures	17,088,095	16,951,430	15,724,046	1,227,384
General Operating Expenditures				
ADP Payroll Charges	31,000	31,000	35,129	(4,129)
Workers' Compensation Insurance	100,000	100,000	82,442	17,558
Utilities	165,000	165,000	123,510	41,490
Corporate Insurance	76,000	76,000	62,081	13,919
Mileage and Parking	64,450	64,650	56,892	7,758
Telephones and Modems	35,000	53,000	60,078	(7,078)
Cell Phones and Mobile Devices	51,240	48,390	45,374	3,016
Outside Printing	18,750	18,750	12,153	6,597
Other Supplies	12,150	22,150	12,702	9,448
Postage and Delivery	13,300	13,300	13,096	204
Educational Supplies	1,450	1,450	543	907
Office Supplies	80,640	77,940	75,242	2,698
Subscriptions and Publications	10,060	10,375	5,442	4,933
Equipment Rental	118,200	118,200	116,828	1,372
Building Repairs and Maintenance	180,000	180,000	173,940	6,060
Equipment Repairs and Maintenance	26,000	22,500	2,239	20,261
Offsite Storage	19,700	19,700	19,024	676
Hardware and Software Maintenance	220,600	190,600	197,671	(7,071)
Miscellaneous Service Charges	27,000	27,000	8,983	18,017
Miscellaneous/Contingency	75,000	65,000	23,000	42,000
Capital Outlay	75,000	75,000	16,204	58,796
Human Resources Related Costs	78,000	78,000	29,746	48,254
Total General Operating Expenditures	1,478,540	1,458,005	1,172,319	285,686
Professional Services				
Audit	70,000	70,000	36,085	33,915
Legal	175,000	175,000	91,321	83,679
Professional Dues	85,052	84,252	29,988	54,264
Professional Dues - First 5 Association	70,000	70,000	70,000	-
Professional Development	266,000	239,500	86,556	152,944
Staff Recruitment	25,000	25,000	11,029	13,971
Commission Stipends	34,000	34,000	21,550	12,450
Total Professional Services	725,052	697,752	346,529	351,223
Consultant Services				
Consultant Fees	1,208,000	1,377,000	739,409	637,591
Other Professional Fees	276,950	276,950	255,217	21,733
External Reviewers	8,000	6,000	5,180	820
Total Consultant Services	1,492,950	1,659,950	999,806	660,144
Travel and Meetings				
Airfare	89,492	92,492	79,439	13,053
Program Events	-	-	989	(989)
Lodging	98,726	105,726	81,119	24,607
Conference Registration	119,285	121,485	78,209	43,276
Local Meetings	71,700	77,300	76,935	365
Per Diem	51,318	51,018	41,655	9,363
Total Travel and Meetings	430,521	448,021	358,346	89,675
Capital Improvements	20,000	20,000	26,574	(6,574)
Total Operating Expenditures	21,235,158	21,235,158	18,627,620	2,607,538
Total Program Costs and Operating Expenditures	161,520,158	146,994,658	129,555,723	17,438,935
Excess (deficiency) of revenues over (under) expenditures	$ (68,216,468)	$ (53,690,968)	$ (37,937,159)	$ 15,753,809
Fund balance - Beginning of year			460,076,176	
Fund balance - End of year			$ 422,139,017	

See accompanying note to required supplementary information.

NOTE 1 – BUDGET ADOPTION

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

The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level. The total final budget for FY 2016-17 was $147.0 million, which included $125.8 million for Program costs and $21.2 million for Operating and Administrative costs.

In FY 2016-17, $4.2 million was recorded as "pass through grants", which includes $4.1 million for the Los Angeles County Department of Children and Family Services Partnership for Families (LAC-PFF) program and $45,331 for Medi-Cal Administrative Activities. The Commission does not establish a budget for pass-through grants.

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OTHER SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST - PROPOSITION 10 COMMISSION
SCHEDULE OF FIRST 5 CALIFORNIA FUNDING
FOR THE YEAR ENDED JUNE 30, 2017

Program	Source	Revenue Funds	Expenditures
IMPACT Regional Coordination and Training	First 5 LA Program Funds	$ 580,053	$ 580,053
Technical Assistance Hubs (Hubs)	County, Local Funds	10,427,487	10,427,487

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

The information in this section is not covered by the Independent Auditors' Report, but it is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional information to understand and assess the Commission's economic condition.

	Pages
Financial Trends	
These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	34-35
Revenue Capacity	
These schedules contain trend information to help the reader assess the Commission's most significant revenue base.	38-39
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.	40-41
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.	42-44

Sources:

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010*	2009	2008
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 881,019,859	$ 885,944,312
Unrestricted	422,015,244	461,512,770	543,521,742	632,680,166	723,252,516	829,030,048	434,206,491	859,235,104	-	-
Net investment in capital asset	11,310,273	11,593,026	11,885,041	12,082,438	12,355,226	12,777,760	13,114,194	13,405,843	13,873,311	13,847,697
Total net position	$ 433,325,517	$ 473,105,796	$ 555,406,783	$ 644,762,604	$ 735,607,742	$ 841,807,808	$ 447,320,685	$ 872,640,947	$ 894,893,170	$ 899,792,009

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

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

	Fiscal Year									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Revenues										
Tobacco taxes	$ 83,567,141	$ 87,942,700	$ 89,475,135	$ 90,280,307	$ 94,112,590	$ 100,187,619	$ 100,269,182	$ 102,504,928	$ 114,925,729	$ 122,655,958
State School Readiness	-	-	-	-	-	-	28,465,232	19,011,847	15,445,577	15,098,348
State Commission Program Funds	556,665	5,796,252	10,283,414	18,009,907	2,749,082	8,098,412	7,933,188	7,162,800	6,438,881	5,673,958
Medi-Cal Administrative Activities	137,599	159,549	80,799	232,408	316,369	483,325	507,869	740,794	925,511	-
Partnership for Families Fund*	4,334,967	9,001,152	4,615,313	-	-	-	-	-	-	-
Other program revenue	401,956	115,000	-	-	-	-	-	-	-	-
Investment income	4,003,489	3,759,751	3,903,275	6,368,593	(3,402,141)	915,935	12,004,422	16,094,660	28,102,852	34,996,079
Net increase (decrease) in FMV of investments	(3,026,254)	1,064,007	2,152,879	-	-	-	-	-	-	-
Other revenues	122,208	119,100	104,072	100,320	98,880	9,048	290,093	465,061	453,762	467,302
Total revenues:	$ 90,097,771	$ 107,957,511	$ 110,614,887	$ 114,991,535	$ 93,874,779	$ 109,694,339	$ 149,469,986	$ 145,980,090	$ 166,292,312	$ 178,891,645
Expenses										
Provider grants and other allocations	106,777,128	159,337,913	182,991,937	189,910,283	185,753,622	124,709,026	133,261,213	157,019,407	160,239,867	130,894,482
Pass-through grants	4,150,975	13,519,735	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	N/A	(424,388,705)	424,388,705	N/A	N/A	N/A
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	1,137,220	2,506,120	N/A	N/A	N/A
Salaries and benefits	15,763,620	14,357,480	13,423,832	12,682,373	11,583,915	11,153,057	10,685,423	8,818,136	8,161,291	6,638,952
Operating services	1,172,319	1,157,290	1,346,532	1,207,259	1,159,609	1,138,850	1,324,708	832,164	1,090,947	693,968
Consultant services	999,806	990,724	1,216,609	956,488	549,676	331,046	1,523,221	677,379	653,301	415,736
Professional services	346,529	323,336	404,560	543,038	426,726	540,606	398,819	208,008	400,036	276,610
Other expenses	358,346	255,453	264,892	183,974	149,116	114,384	116,223	80,355	69,045	90,880
Depreciation	309,327	316,567	322,346	353,258	452,182	471,732	585,814	596,868	576,664	575,911
Total expenses:	129,878,050	190,258,498	199,970,708	205,836,673	200,074,846	(284,792,784)	574,790,246	168,232,317	171,191,151	139,586,539
Change in net position	$ (39,780,279)	$ (82,300,987)	$ (89,355,821)	$ (90,845,138)	$ (106,200,066)	$ 394,487,123	$ (425,320,260)	$ (22,252,227)	$ (4,898,839)	$ 39,305,106

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

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

	Fiscal Year									
	2017*	2016*	2015*	2014*	2013*	2012*	2011*	2010	2009	2008
Fund Balance										
Nonspendable	$ 19,760,505	$ 34,279,475	$ 39,411,636	$ 37,578,099	$ 27,022,268	$ 19,960,620	$ -			
Committed	216,214,576	249,515,814	340,879,636	451,133,640	561,003,855	631,710,435	632,471,832			
Assigned	128,331,556	114,665,689	78,113,279	57,716,899	64,902,466	153,086,390	-			
Unassigned	57,832,380	61,615,198	78,223,453	79,494,722	70,816,380	16,691,138	(205,716,806)			
Total Fund Balance	$ 422,139,017	$ 460,076,176	$ 536,628,004	$ 625,923,360	$ 723,744,969	$ 821,448,583	$ 426,755,026			
Reserved										
Reserved for encumbrances								$ 129,094,692	$ 341,203,752	$ 504,505,166
Reserved for obligations								189,699,943	45,820,595	52,670,634
Reserved for First 5 California								19,004,928	30,050,843	52,161,039
Total Reserved								$ 337,799,563	$ 417,075,190	$ 609,336,839
Unreserved										
Designated								$ 249,875,172	$ 284,028,356	$ 272,696,682
Unreserved								271,842,909	174,167,089	-
Total Fund Balance								$ 859,517,644	$ 875,270,635	$ 882,033,521

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Tobacco taxes	$ 83,567,141	$ 87,942,700	$ 89,475,135	$ 90,280,307	$ 94,112,590	$ 100,187,619	$ 100,269,182	$ 102,504,928	$ 114,925,729	$ 122,655,958
State School Readiness	-	-	-	-	-	-	39,242,565	19,011,847	15,445,577	15,098,348
State Commission Program Funds	2,411,083	5,796,252	11,050,327	10,668,187	10,741,413	7,960,036	95,713	2,441,868	4,633,722	2,198,287
Medi-Cal Administrative Activities	137,599	159,549	80,799	232,408	316,369	483,325	507,869	740,794	925,511	-
Partnership for Families Funds*	4,334,967	9,001,152	3,701,993	-	-	-	-	-	-	-
Other program revenue	-	115,000	-	-	-	-	-	-	-	-
Investment income	4,003,489	3,759,751	3,903,275	6,368,593	(3,402,141)	915,935	12,004,422	16,094,660	28,102,852	34,996,079
Net increase (decrease) in FMV of investments	(3,026,254)	1,064,007	2,152,879	-	-	-	-	-	-	-
Other income	190,539	119,100	104,072	100,320	98,880	9,048	290,093	427,960	415,048	428,588
Total revenues:	91,618,564	107,957,511	110,468,480	107,649,815	101,867,110	109,555,963	152,409,844	141,222,057	164,448,439	175,377,260
Expenditures:										
Provider grants and other allocations	106,777,128	159,337,913	182,991,937	189,910,283	185,753,622	124,709,026	133,261,213	157,019,407	160,239,867	130,894,482
Pass-through grants	4,150,975	13,519,735	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	N/A	(424,388,705)	424,388,705	N/A	N/A	N/A
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	1,137,220	2,506,120	N/A	N/A	N/A
Salaries and benefits	15,724,046	14,357,480	13,414,357	12,589,911	11,502,328	11,144,681	10,619,053	8,774,370	8,155,851	6,599,446
Operating services	1,172,319	1,157,290	1,346,532	1,207,258	1,159,609	1,138,850	1,324,708	832,164	1,090,947	693,968
Consultant services	999,806	990,724	1,216,609	956,488	549,676	331,046	1,523,221	677,379	653,301	415,736
Professional services	346,529	323,336	404,560	543,038	426,726	540,606	398,819	208,008	400,036	276,610
Other expenses	358,346	255,453	264,892	183,974	149,116	114,384	116,223	80,355	69,045	90,880
Capital lease payments	-	-	-	-	-	-	-	-	-	-
Capital outlay	26,574	316,567	124,949	80,471	29,648	135,298	294,166	123,599	602,278	872,041
Total expenditures:	129,555,723	190,258,498	199,763,836	205,471,423	199,570,724	(285,137,594)	574,432,228	167,715,282	171,211,325	139,843,163
Excess of revenues over expenditures	$ (37,937,159)	$ (82,300,987)	$ (89,295,356)	$ (97,821,608)	$ (97,703,614)	$ 394,693,557	$ (422,022,384)	$ (26,493,225)	$ (6,762,886)	$ 35,534,097

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

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
FIRST 5 CALIFORNIA COUNTY TAX REVENUE PROJECTIONS FOR
FY 2016/2017 - FY 2020/2021

2014 Actual Births	2014 Actual Birthrate	2016-2017 Tax Revenue Projection	2015 Projected Births	2015 Projected Birthrate	2017-2018 Tax Revenue Projection	2016 Projected Births	2016 Projected Birthrate	2018-2019 Tax Revenue Projection	2017 Projected Births	2017 Projected Birthrate	2019-2020 Tax Revenue Projection	2018 Projected Births	2018 Projected Birthrate	2020-2021 Tax Revenue Projection
130,150	25.867%	$ 87,017,941	128,355	25.304%	$ 70,068,119	122,766	25.142%	$ 81,403,298	120,059	24.826%	$ 78,160,730	118,613	24.644%	$ 75,380,241

Source:
"First 5 California County Tax Revenue Projections for FY 2016-17 through 2020-21"
(Updated 8/14/2017 Utilizing DOF July Revise 2017 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1970-2023)

LOS ANGELES COUNTY CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
CIGARETTE TAXES AND OTHER TOBACCO PRODUCTS SURTAX REVENUE, 1959-60 TO 2015-16
(In thousands of dollars)

	Cigarette tax								Other tobacco products surtax			
Fiscal year	Revenue (a)	Ref	Distributors' Discounts (b)	Ref2	Gross Value (c)	Ref3	Refunds	Ref4	OTP Revenue	Ref5	Rate	Ref6
2014-15	$748,022,000		$6,413,000		$754,434,000		$837,000		$86,949,000		28.95%	
2013-14	751,513,000		6,443,000		757,956,000		600,000		86,424,000		29.82%	
2012-13	782,115,000		6,705,000		788,820,000		498,000		82,548,000		30.68%	
2011-12	820,322,000		7,032,000		827,355,000		1,017,000		80,424,000		31.73%	
2010-11	828,831,000		7,105,000		835,937,000		1,308,000		77,016,000		33.02%	
2009-10	838,709,000		7,187,000		845,896,000		1,583,000		84,617,000		41.11%	
2008-09	912,724,000		7,819,000		920,543,000		626,000		85,506,000		45.13%	
2007-08	955,030,000		8,185,000		963,215,000		727,000		85,929,000		45.13%	
2006-07	998,723,000		8,558,000		1,007,281,000		1,330,000		79,946,000		46.76%	
2005-06	1,026,497,000		8,795,000		1,035,293,000		1,707,000		67,348,000		46.76%	
2004-05	1,024,272,000		8,778,000		1,033,051,000		1,653,000		58,441,000		46.76%	
2003-04	1,021,366,000		8,755,000		1,030,121,000		4,721,000		44,166,000		46.76%	
2002-03	1,031,772,000		8,845,000		1,040,617,000		13,248,000		40,996,000		48.89%	
2001-02	1,067,004,000		9,146,000		1,076,150,000		10,774,000		50,037,000		52.65%	d/
2000-01	1,110,692,000		9,503,000		1,120,195,000		8,741,000		52,834,000		54.89%	
1999-00	1,166,880,000		9,980,000		1,176,859,000		9,413,000		66,884,000		66.50%	
1998-99	841,911,000	e/	7,206,000		849,117,000		6,808,000		42,137,000	f/	61.53%	f/
1997-98	612,066,000		5,244,000		617,309,000		5,448,000		39,617,000		29.37%	
1996-97	629,579,000		5,394,000		634,973,000		5,060,000		41,590,000		30.38%	
1995-96	639,030,000		5,469,000		644,499,000		6,193,000		32,788,000		31.20%	
1994-95	656,923,000		5,628,000		662,551,000		11,159,000		28,460,000		31.20%	
1993-94	647,993,000	g/	5,553,000		653,546,000		8,353,000		19,773,000		23.03%	
1992-93	667,479,000		5,715,000		673,195,000		9,138,000		21,480,000		26.82%	
1991-92	711,275,000		6,086,000		717,362,000		7,791,000		22,016,000		29.35%	
1990-91	729,612,000		6,242,000		735,854,000		7,904,000		24,064,000		34.17%	
1989-90	770,042,000	h/	6,581,000		776,623,000		11,615,000		24,956,000	h/	37.47%	
1988-89	499,712,000	h/	4,273,000		503,984,000		4,968,000		9,994,000	h/	41.67%	
1987-88	254,869,000		2,180,000		257,049,000		2,970,000					
1986-87	257,337,000		2,202,000		259,539,000		2,661,000					
1985-86	260,960,000		2,231,000		263,190,000		2,834,000					
1984-85	265,070,000		2,267,000		267,337,000		2,390,000					
1983-84	265,265,000		2,267,000		267,532,000		2,756,000					
1982-83	273,748,000		2,336,000		276,084,000		2,060,000					
1981-82	278,667,000		2,383,000		281,050,000		1,843,000					
1980-81	280,087,000		2,395,000		282,482,000		1,567,000					
1979-80	272,119,000		2,327,000		274,446,000		1,645,000					
1978-79	270,658,000		2,315,000		272,973,000		1,408,000					
1977-78	275,042,000		2,352,000		277,394,000		1,239,000					
1976-77	270,502,000		2,315,000		272,817,000		832,000					
1975-76	269,852,000		2,309,000		272,161,000		927,000					
1974-75	264,182,000		2,262,000		266,444,000		745,000					
1973-74	259,738,000		2,222,000		261,960,000		632,000					
1972-73	253,089,000		2,167,000		255,256,000		626,000					
1971-72	248,398,000		2,127,000		250,525,000		677,000					
1970-71	240,372,000		2,058,000		242,430,000		552,000					
1969-70	237,220,000		2,032,000		239,253,000		455,000					
1968-69	238,836,000		2,046,000		240,882,000		492,000					
1967-68	208,125,000	i/	1,862,000		209,987,000		328,000					
1966-67	75,659,000		1,543,000		77,202,000		129,000					
1965-66	74,880,000		1,528,000		76,407,000		88,000					
1964-65	74,487,000		1,520,000		76,007,000		61,000					
1963-64	71,530,000		1,459,000		72,989,000		71,000					
1962-63	70,829,000		1,445,000		72,274,000		79,000					
1961-62	68,203,000		1,390,000		69,593,000		47,000					
1960-61	66,051,000	j/	1,675,000	k/	67,726,000		76,000					
1959-60	61,791,000	l/	767,000	l/	62,558,000		67,000					

a. Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
b. A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was 2 percent.
c. Includes sales of indicia purchased on credit. Effective July 16, 1961, distributors have been able to purchase tax indicia on credit.
d. From July 1, 2001, through September 9, 2001, the surtax rate on smokeless tobacco ranged from 131 percent for moist snuff to 490 percent for chewing tobacco. Effective September 10, 2001, the surtax rate on smokeless tobacco was lowered to 52.65 percent.
e. Effective January 1, 1999, the overall tax rate on cigarettes was increased from 37 cents to 87 cents per pack under voter-approved Proposition 10. The additional 50-cent-per-pack tax was imposed to raise funds for early childhood development programs. Excludes $87,978,766 in 1998-99 from the floor stocks taxes for both cigarettes and other tobacco products levied on January 1, 1999.
f. From July 1, 1998, through December 31, 1998, the surtax rate was 26.17 percent for other tobacco products. Effective January 1, 1999, the new surtax imposed under Proposition 10 raised the combined surtax rate to 61.53 percent for other tobacco products. The new surtax is equivalent (in terms of the wholesale costs of other tobacco products) to a 50-cent-per-pack tax on cigarettes.
g. Effective January 1, 1994, the overall tax rate on cigarettes was increased from 35 cents to 37 cents per pack. The additional 2-cent-per-pack tax was imposed to raise funds for breast cancer research and education.
h. Effective January 1, 1989, an additional 25-cent-per-pack surtax was imposed on cigarettes and a new 41.67 percent surtax was imposed on other tobacco products. 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.

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
DEMOGRAPHIC DATA AND ECONOMIC STATISTICS
2007-2016

Demographic Data

	2007**	2008**	2009***	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)
Total Population	10,252,245	10,341,412	10,449,155	9,824,194	9,862,211	9,945,864	10,010,961	10,082,664	10,147,070	10,209,897
White	2,856,544	2,822,775	2,938,369	2,743,456	2,719,057	2,721,500	2,709,464	2,693,506	2,677,368	2,659,218
Black	862,622	853,032	882,167	826,260	828,970	830,607	831,808	833,267	834,505	835,538
American Indian	25,056	24,588	30,808	19,509	19,619	19,652	19,629	19,658	19,654	19,639
Asian	1,387,824	1,423,826	1,378,338	1,327,692	1,332,691	1,342,581	1,357,306	1,373,175	1,387,891	1,403,728
Native Hawaiian & Other Pacific Islander	27,773	28,137	29,001	23,191	23,103	23,277	23,433	23,579	23,721	23,861
Hispanic or Latino	4,864,925	4,944,987	5,008,069	4,702,784	4,753,038	4,818,170	4,874,755	4,940,756	5,001,012	5,060,772
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multi-race	227,501	244,067	182,403	181,302	185,733	190,077	194,566	198,723	202,919	207,141
Female	5,151,888	5,195,931	5,266,592	4,980,734	4,998,722	5,039,635	5,071,249	5,105,963	5,137,391	5,168,250
Male	5,100,357	5,145,481	5,182,563	4,843,460	4,863,489	4,906,229	4,939,712	4,976,701	5,009,679	5,041,647
Under 5 years	728,334	731,216	716,228	644,882	645,529	645,026	644,356	658,930	664,168	667,716
5-9 years	732,624	735,376	744,818	631,973	625,415	632,530	637,383	638,471	641,563	645,678
10-14 years	852,918	802,998	769,538	674,968	658,984	648,192	638,396	631,525	625,574	623,134
15-19 years	885,245	926,946	870,100	749,322	732,741	716,854	700,066	683,907	670,120	656,834
20-24 years	690,477	712,834	725,816	751,717	755,888	758,178	759,628	757,233	748,352	735,295
25-29 years	621,590	647,647	677,682	758,633	762,396	756,706	754,773	755,997	757,871	762,804
30-39 years	1,352,485	1,307,857	1,420,833	1,429,814	1,429,718	1,441,415	1,454,389	1,466,136	1,477,437	1,492,374
40-49 years	1,582,764	1,578,500	1,592,529	1,421,700	1,418,870	1,423,408	1,416,725	1,408,130	1,403,932	1,401,167
50-59 years	1,259,906	1,295,706	1,315,677	1,229,799	1,253,379	1,281,390	1,303,781	1,321,414	1,331,973	1,335,839
60-69 years	754,663	794,316	827,207	784,117	817,011	856,522	891,983	930,186	971,603	1,009,027
70-79 years	459,524	465,714	466,110	439,892	447,281	462,564	479,911	497,179	515,304	535,492
80+ years	331,715	342,302	322,617	307,377	314,999	323,079	329,570	333,556	339,173	344,537

Source:
** US Census Bureau, 2000 Census, SF1*
*** State of California, Department of Finance, E-3 Race / Ethnic Population Estimates with Age and Sex Detail, 2000–2008. Sacramento, CA, June 2010.*
**** State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, July 2007. (data are projections calculated between census surveys)*
(1) State of California, Department of Finance, Population Projections for California and Its Counties 2010-2060. Sacramento, CA, January 2013. (These data supersede the previously used data source.)

Economic Data

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
LA County Personal Income	398,281,877	410,482,294	395,372,354	404,473,004	425,673,042	455,788,782	466,098,988	499,767,889	544,324,900	N/A
LA County Per Capita Personal Income	41,058	42,165	40,396	41,163	43,062	45,800	46,506	49,400	53,521	N/A
California Personal Income	1,564,289,335	1,596,229,973	1,537,094,676	1,578,553,439	1,685,635,498	1,805,193,769	1,856,614,186	1,944,369,223	2,061,337,141	2,197,492,012
California Per Capita Personal Income	43,152	43,608	41,587	42,282	44,749	47,505	48,434	50,109	52,651	55,987
United States Personal Income	11,990,104,000	12,429,234,000	12,080,223,000	12,417,659,000	13,189,935,000	13,873,161,000	14,151,427,000	14,708,582,165	15,324,108,725	16,017,781,445
United States Per Capita Personal Income	39,804	40,873	39,379	40,144	42,332	44,200	44,765	46,129	47,669	49,571

Source:
Bureau of Economic Analysis: http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=4 (Tables SA1-3 and CA1-3)
Personal income data are shown in thousands of dollars; per capita income data are shown in dollars.
2016 economic data is not yet available for Los Angeles County

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
UNEMPLOYMENT RATE
2001 – 2016

Area	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
United States	4.3%	5.3%	6.2%	7.4%	8.1%	8.9%	9.6%	9.3%	5.8%	4.6%	4.6%	5.1%	5.5%	6.0%	5.8%	4.7%
California	4.7%	6.2%	7.5%	8.9%	10.4%	11.8%	12.4%	11.3%	7.2%	5.4%	4.9%	5.4%	6.2%	6.8%	6.7%	5.4%
Los Angeles County	4.6%	6.7%	8.3%	9.9%	10.9%	12.3%	12.6%	11.6%	7.5%	5.1%	4.8%	5.4%	6.5%	7.0%	6.8%	5.7%

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

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
TEN LARGEST INDUSTRIES (1)
2016 AND 2007

	June 30, 2016			June 30, 2007		
Industry	**Number of Employees**	**Rank**	**Percentage of Total**	**Number of Employees**	**Rank**	**Percentage of Total**
Trade, Transportation & Utilities	825,000	1	17.27%	812,300	1	17.65%
Educational & Health Services	769,800	2	16.11%	615,800	2	13.38%
Professional & Business Services	616,100	3	12.89%	608,000	3	13.21%
Government	572,500	4	11.98%	604,600	4	13.13%
Leisure & Hospitality	514,600	5	10.77%	404,100	6	8.78%
Manufacturing	356,400	6	7.46%	453,800	5	9.86%
Financial Activities	220,400	7	4.61%	245,200	7	5.33%
Information	209,300	8	4.38%	212,000	8	4.61%
Other Services	154,200	9	3.23%	148,700	10	3.23%
Construction	131,400	10	2.75%	160,200	9	3.48%
Sub-total Ten Largest Industries	4,369,700		91.45%	4,264,700		92.66%
All Other Industries	408,600		8.55%	338,000		7.34%
Total Industries	4,778,300		100.00%	4,602,700		100.00%

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

Source:
County of Los Angeles Comprehensive Annual Financial Report for the year ended June 30, 2016 (most recent information available):
http://ceo.lacounty.gov/pdf/portal/2016%20CAFR%20LA%20County.pdf

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

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

LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
AUTHORIZED POSITIONS BY FUNCTION
2011-2017

	Fiscal Year						
Functional Area	**2017 (6)**	**2016 (5)**	**2015 (4)**	**2014 (3)**	**2013 (2)**	**2012 (1)**	**2011 (1)**
Executive	8	5	4.5	5.5	3	2	2
Administration	38	37.5	34.5	34	35	33	29
Programs	107	106	101.5	91.5	92	91	96
Total	**153**	**148.5**	**140.5**	**131**	**130**	**126**	**127**

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

Source:
(1) First 5 LA Approved FY 2011-12 Operating Budget (FY 2010-11 data were included for comparison purposes)
(2) First 5 LA Approved FY 2012-13 Operating Budget
(3) First 5 LA Approved FY 2013-14 Operating Budget
(4) First 5 LA Approved FY 2014-15 Operating Budget
(5) First 5 LA Approved FY 2015-16 Operating Budget
(6) First 5 LA Approved FY 2016-17 Operating Budget

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

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

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

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

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 12, 2017

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Los Angeles County Children and Families First – Proposition 10 Commission's (Commission), a component unit of the County of Los Angeles, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2017.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit.

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

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

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

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

Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2017.

Purpose of Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 12, 2017