

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)

REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEAR ENDED JUNE, 30, 2007

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	12
Statement of Activities	13
GOVERNMENTAL FUND STATEMENTS:	
Balance Sheet	15
Statement of Revenues, Expenditures and Changes In Fund Balances	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets and Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	17
NOTES TO THE FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue, Expenditure, and Changes in Fund Balances – Budget to Actual.....	35
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Non Major Governmental Funds.....	36
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Non Major Special Revenue Funds - Projects	37
OTHER INFORMATION:	
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditor's Report on State Compliance	41
Commission Membership	43

October 19, 2007

Board of Commissioners
Marin Children and Families Commission
(dba First 5 Marin)
San Rafael, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the **Marin Children and Families Commission (dba First 5 Marin) (the Commission)** a component unit of the County of Marin as of and for the year ended June, 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Commission's 2006 financial statements and, in our report dated September 7, 2006; we expressed unqualified opinions on the respective financial statements of the governmental activities, its major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund and the aggregate remaining fund information of **Marin Children and Families Commission (dba First 5 Marin)**, as of June, 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Commissioners
Marin Children and Families Commission
(dba First 5 Marin)
October 19, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2007 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and the budgetary comparison information on page 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MARIN CHILDREN AND FAMILIES COMMISSION (dba FIRST 5 MARIN)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

This section of Marin Children and Families Commission (the Commission) annual financial report presents management's discussion and analysis of the Commission's financial performance during the year ended in June 30, 2007. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission received \$2,328,737 in tax revenue compared to \$2,453,610 received in the prior fiscal year, a decrease of \$124,873, or 5%.
- The Commission had expenses totaling \$3,403,960 in fiscal year ended June 30, 2007, which is a increase of \$100,486, or 3% compared to \$3,303,474 in fiscal year ended June 30, 2006.
- The Commission's assets decreased from \$8,915,023 in FY 2005-06 to \$8,635,447 in FY 2006-07 by \$279,576, or 3%.
- The Commission's liabilities decreased from \$772,447 in FY 2005-06 to \$698,115 in FY 2006-07 by \$74,332 or 10%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These three components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the Commission. They are the Government-Wide Financial Statements and the Fund Financial Statements. These financial statements also include the notes to the financial statements that further explain the information contained in the financial statements.

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. The statements provide both short-term and long-term information about the Commission's financial position, which assists in evaluating the economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include two statements:

**MARIN CHILDREN AND FAMILIES COMMISSION (dba FIRST 5 MARIN)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Government-Wide Financial Statements – (Continued)

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

As the Commission's primary function is principally supported by tax revenue from the State, its government-wide financial statements only present governmental activities (no business-type activities).

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.

The governmental funds statements are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the period. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations between the governmental fund balance sheet and revenues, expenditures, and changes in fund balance and the government-wide statements of net assets and activities, respectively, are provided to facilitate the comparison.

The nine-member Commission was established in accordance with section 130140.1 of the Health and Safety Code to create and implement a comprehensive, collaborative and integrated system of information and services to promote, support and optimize early childhood development from the prenatal stage to five years of age. First 5 Marin was established as a legal public entity separate from Marin County and as such filed a statement as required by Section 53051 of the Government Code. As a legal public entity, all obligations of the Commission are separate from the County and a yearly independent audit of the Commission is conducted.

**MARIN CHILDREN AND FAMILIES COMMISSION (dba FIRST 5 MARIN)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Fund Financial Statements – (Continued)

To fill a vacant position on the Commission the following process is followed: the position is advertised; a nominating committee screens the applications and recommends to the Commission applicants for interview. After the interviews and a vote by a quorum of the Commission, the Commission submits a recommendation for appointment to the Board of Supervisors. The Board of Supervisors approves the recommendation. The Commissioners serve at the pleasure of the Board of Supervisors for a two year term not to exceed three terms.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information demonstrating the Commission's compliance with its adopted annual appropriated budget for its general fund.

Government-wide Financial Statements Analysis

As noted earlier, net assets may serve over time as a useful indicator of a governmental organization's financial position. In the case of the Commission, assets exceeded liabilities by \$7,937,332 at the end of the year.

	<u>NET ASSETS</u>		
	2007	2006	Percentage Change
Assets:			
Current and other assets	\$ 8,624,382	\$ 8,897,465	-3%
Capital assets	11,065	17,558	-37%
Total assets	<u>\$ 8,635,447</u>	<u>\$ 8,915,023</u>	-3%
Liabilities:			
Long-term liabilities	\$ 46,169	\$ 48,865	-6%
Other liabilities	651,946	723,582	-10%
Total liabilities	<u>698,115</u>	<u>772,447</u>	-10%
Net Assets:			
Restricted	7,926,267	8,125,018	-2%
Invested in capital assets	11,065	17,558	-37%
Total net assets	<u>7,937,332</u>	<u>8,142,576</u>	-3%
Total liabilities and net assets	<u>\$ 8,635,447</u>	<u>\$ 8,915,023</u>	-3%

**MARIN CHILDREN AND FAMILIES COMMISSION (dba FIRST 5 MARIN)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Government-wide Financial Statements Analysis – (Continued)

The Commission's total assets of \$8,635,447 decreased by \$279,576 or 3% compared with the prior year. The change in current and other assets of \$273,083 or 3% is primarily due to decrease in cash due to payment on liabilities made at the end of the fiscal year.

The decrease in long-term liabilities of \$2,696 is due to the pay off the Commission's capital lease obligation for its copier of \$4,414 and an increase in compensated absences of \$1,718. Other liabilities decreased by 10% due to payments made to grantees by the close of the fiscal year.

CHANGES IN NET ASSETS

The following is a summary of the Commission's revenue, expenses and changes in net assets comparing fiscal year ended June 30, 2007 with 2006.

	2007	2006	Percentage Change
Revenues:			
Program Revenue			
Tax Revenue	\$ 2,328,737	\$ 2,453,610	-5%
School Readiness Match	186,369	136,158	37%
CARES Match	125,085	130,000	-4%
	<u>2,640,191</u>	<u>2,719,768</u>	-3%
General Revenue			
Investment income	453,137	214,492	111%
Other income	196,663	158,975	24%
	<u>649,800</u>	<u>373,467</u>	74%
Total Revenues	<u>3,289,991</u>	<u>3,093,235</u>	6.4%
Expenses:			
Provider grants	2,625,788	2,441,994	8%
Salaries and benefits	448,306	496,348	-10%
Operating services	153,568	143,340	7%
Professional services	101,469	124,874	-19%
Investment expense	23,491	19,134	23%
Other expenses	44,845	71,291	-37%
Depreciation	6,493	6,493	0%
Total expenses	<u>3,403,960</u>	<u>3,303,474</u>	3%
Changes in net assets:	(113,969)	(210,239)	-46%
Transfers Out	(91,275)		100%
Net assets - beginning	8,142,576	8,352,815	-3%
Net assets - ending	<u>\$ 7,937,332</u>	<u>\$ 8,142,576</u>	-3%

**MARIN CHILDREN AND FAMILIES COMMISSION (dba FIRST 5 MARIN)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Government-wide Financial Statements Analysis – (Continued)

Revenues

The Commission received total revenues of \$3,289,991 during fiscal year ended June 30, 2007, which was an increase of \$196,756, or 6.4% compared with the prior year's total revenues of \$3,093,235. The increase in the Commission's revenue is primarily due to the following explanations:

Tobacco Tax Revenues

Although unrestricted tobacco tax revenue decreased from \$2,453,610 in FY 2005-06 to \$2,328,737 in FY 2006-07, a decrease of \$124,873, or 5% (primarily due to reduced tobacco product sales in FY 2006-07), the restricted State Match Funds received for the Canal School Readiness Initiative and for the MarinCARES Program increased total revenues for FY 2006-07 by 23%. Explanations for the use of these funds follow:

Tobacco Taxes for State School Readiness Program

Tobacco Taxes for the State School Readiness Initiative (SRI) Program received in FY 2006-07 were \$186,369, and were restricted to Canal School Readiness Initiative contractual program expenditures. The amount was an increase of \$50,211 from FY 2005-06.

State Commission Matching Grant

In FY 2006-07, the Ready for School Project received \$125,085 from the State Commission's Comprehensive Approaches to Raising Education Standards (CARES) matching grant program. These funds are the second year match of a new State Commission CARES four year grant. Bay Area Community Resources is the fiscal agent for the project and manages the \$260,000 in local match and \$130,000 State Match funds. First 5 Marin contributes \$97,000 to the local match (\$75,000 to MarinCARES and \$22,000 in-kind in funding through the Health Advocacy/Health Literacy and Special Needs/Mental Health Initiatives).

Investment Income

Interest and income earned on investment and operating accounts increased in FY 2006-07. The increase is due to the following:

- The Local Agency Investment Fund (LAIF) account earned \$98,815 in interest in FY 2006-07. This was an increase of \$24,292 or 33% compared to \$74,523 earned in the prior year.

**MARIN CHILDREN AND FAMILIES COMMISSION (dba FIRST 5 MARIN)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Government-wide Financial Statements Analysis – (Continued)

Investment Income – (Continued)

- The Bank of the West investment accounts earned \$246,552 in interest and had an unrealized loss of \$1,623 for a total increase of \$244,929 in FY 2006-07. This was an increase of \$51,730 or 27% compared to \$193,199 earned in the prior year.
- The Bank of the West investment accounts had an unrealized gain on the fair value of the investments of \$57,385 at June 30, 2007. This was an increase over the prior year that had an unrealized loss of \$103,565 for a total increase \$160,950.
- In addition the Commission earned interest of approximately \$52,008 during the FY 2006-07 on funds held in deposit by the County pool. This is an increase of \$1,673 or 3% from the prior year.

Expenses

First 5 Marin allocates its expenses based on the three Strategic Results identified in its Strategic Plan: Protecting Children's Health, Assuring that Children are Ready for School, and, Insuring that Marin Values and Invests in All Children (Public Education and Advocacy). In accordance with State Law, the Commission also maintains a cost center which reflects our Evaluation efforts. The Commission expended \$3,403,960 in FY 2006-07 compared to \$3,303,474 in the previous fiscal year. This is an overall increase in expenses of \$100,486 or 3%. First 5 Marin reimburses for actual verified expenses.

Initiative/Program Grants

The Initiative/Program grants actual expenses increased primarily due to an increase in the number of First 5 Marin program contracts.

Salaries and Benefits

Salary and benefits expense decreased by 13% in FY 2006-07 from \$496,348 in the previous year to \$450,025. The decrease is attributable to a change in personnel.

Program Evaluation

The Commission spent \$142,945 on program evaluation during the audit period.

**MARIN CHILDREN AND FAMILIES COMMISSION (dba FIRST 5 MARIN)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Other Potentially Significant Matters

The State projects a continuing decrease of State Tax Allocations revenue and decrease in the share allocated to the Commission due to proportionally lower birth rate combining for a projected annual revenue decrease estimated at 6% a year through FY 2008-09.

Contacting the Commission's Financial Management

This financial report is designed to provide the public with an overview of the Commission's financial operation and condition. If you have any questions about this report or need additional information, you can contact the Commission's Finance Manager at 1101 5th Avenue, San Rafael, CA 94901.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2007

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Current Assets:		
Deposit in County Pool	\$	407,319
Deposits and Investments with Fiscal Agent		7,488,530
Receivables:		
Interest Receivable		38,386
State Commission		521,788
Other Receivable		158,975
Prepaid Expenses		1,384
Total Current Assets		<u>8,616,382</u>
Noncurrent Assets:		
Deposits		8,000
Capital Assets:		
Equipment, net of depreciation		9,951
Software, net of amortization		1,114
Total Capital Assets		<u>11,065</u>
Total Noncurrent Assets		<u>19,065</u>
TOTAL ASSETS	\$	<u>8,635,447</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Capital lease payable within one year	\$	4,414
Accounts payable & Accrued Expenses		8,886
Contracts payable		562,740
Contracts payable - related parties		75,906
Total Current Liabilities		<u>651,946</u>
Noncurrent Liabilities:		
Capital lease payable		6,284
Compensated absences		39,885
Total Noncurrent Liabilities		<u>46,169</u>
Total Liabilities		<u>698,115</u>
NET ASSETS		
Invested in capital assets		11,065
Restricted for:		
Local Initiative & Sustainability Investment		7,926,267
Total Net Assets		<u>7,937,332</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>8,635,447</u>

The notes to the financial statements are an integral part of this statement.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Expenses	Program Revenue	Net (Expense)/ Revenue & Changes in Net Assets
Functions / Programs	Expenses	Operating Grants & Contributions	Governmental Activities
Primary Government:			
Governmental Activities:			
Protecting Children's Health	\$ 1,237,794	\$ 905,704	\$ (332,090)
Ready for School	859,091	486,764	(372,327)
Canal School Readiness	548,205	537,950	(10,255)
Marin Values Children	413,035	401,886	(11,149)
Evaluation	142,649	139,945	(2,704)
Investment Strategy	23,491		(23,491)
General Administration	172,471	160,718	(11,753)
Depreciation and Interest (no direct expense applicable)	7,224	7,224	-
Total Primary Government	\$ 3,403,960	\$ 2,640,191	\$ (763,769)
General Revenues:			
Interest and Investment income		\$ 397,375	
Realized Gain on Investment		(1,623)	
Unrealized Loss on Investment		57,385	
Other Income		196,663	
		649,800	
Subtotal			(113,969)
Other Financing Sources / (Uses)- Transfers In / (Out) Other funds			(91,275)
Change in Net Assets:			(205,244)
Net Assets - beginning of year:			8,142,576
Net Assets - end of year:			\$ 7,937,332

The notes to the financial statements are an integral part of this statement.

GOVERNMENT FUND STATEMENTS

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

(With Comparative Financial Information for 2006)

	June 30, 2007			June 30, 2006		
	Major Fund	Non-Major	Total	Major Fund	Non-Major	Total
	General	Governmental	Governmental	General	Governmental	Governmental
	Fund	Funds	Funds	Fund	Funds	Funds
ASSETS						
Deposits and Investments	\$ 407,319	\$ 7,488,530	\$ 7,895,849	\$ 1,048,148	\$ 7,060,358	\$ 8,108,506
Receivables:						
Interest Receivable	11,473	26,913	38,386	10,063	34,895	44,958
State Commission	-	521,788	521,788	-	438,436	438,436
Other Receivables	-	158,975	158,975	-	288,975	288,975
Prepaid Costs	1,384	-	1,384	8,590	-	8,590
Due (to)/from other funds	(409,906)	409,906	-	1,027,312	(1,027,312)	-
TOTAL ASSETS	\$ 10,270	\$ 8,606,112	\$ 8,616,382	\$ 2,094,113	\$ 6,795,352	\$ 8,889,465
LIABILITIES & FUND BALANCES						
LIABILITIES						
Accounts Payable & Other Accrued Expenses	\$ 8,886	\$ -	\$ 8,886	\$ 87,701	\$ -	\$ 87,701
Contracts Payable	-	562,740	562,740	-	-	-
Contracts Payable - related parties	-	75,906	75,906	-	631,709	631,709
Total Liabilities	<u>8,886</u>	<u>638,646</u>	<u>647,532</u>	<u>87,701</u>	<u>631,709</u>	<u>719,410</u>
FUND BALANCES:						
Reserved for Prepaid Costs	1,384	-	1,384	8,590	-	8,590
Reserved for Encumbrances	-	4,439,830	4,439,830	-	-	-
Unreserved:						
Designated for Local Initiatives and Program Sustainability	-	3,527,636	3,527,636	1,997,822	6,163,643	8,161,465
Total Fund Balances	<u>1,384</u>	<u>7,967,466</u>	<u>7,968,850</u>	<u>2,006,412</u>	<u>6,163,643</u>	<u>8,170,955</u>
TOTAL LIABILITIES & FUND BALANCES	\$ 10,270	\$ 8,606,112	\$ 8,616,382	\$ 2,094,113	\$ 6,795,352	\$ 8,889,465

The notes to the financial statements are an integral part of this statement.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
RECONCILIATIONS BETWEEN THE GOVERNMENT-WIDE FINANCIAL
STATEMENTS AND THE FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

		<u>Total Governmental Funds</u>
Fund Balances - Total Governmental Funds	\$	7,968,850
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		11,065
Deposits used in governmental activities are not current financial resources and therefore are not reported in the funds.		8,000
Long-term liabilities including capital lease payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		<u>(50,583)</u>
Net Assets of Governmental Activities:	\$	<u><u>7,937,332</u></u>

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

		<u>Total Governmental Funds</u>
Net Change in Fund Balances - Total Governmental Funds	\$	(201,205)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period is.		(6,493)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The change in compensated absences and current portion of capital lease fall into this category.		<u>2,454</u>
Changes in Net Assets of Governmental Activities	\$	<u><u>(205,244)</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE A – DESCRIPTION OF THE REPORTING ENTITY

The **Marin Children and Families Commission (the Commission)** is a local commission formed in accordance with Section 130100-130150 of the California Health and Safety Code. The Commission is also known as First 5 Marin.

On December 15, 1998, the Marin County Board of Supervisors passed and adopted Ordinance 3288 amending the Marin County Code to add Chapter 2-41, which created the Marin County Children and Families Commission, and the Marin County Children and Families Trust Fund.

A governing board consisting of at least five but not more than nine members, which are appointed by the County Board of Supervisors, administers the Commission. The membership consists of two members from the County's Health Officer, one member from the County's Board of Supervisors, the remaining members are selected from the following categories: recipient's of project services, educators specializing in early childhood development, representatives of local resource & referral agencies, representatives from local child care coordinating groups, representatives from local organizations specializing in early intervention for families at risk, representatives from community-based organizations that have the goal of promoting nurturing and early childhood development, representatives of local school districts, and representatives from local medical, pediatric, or obstetric associations or societies.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net assets and statement of activities) display the overall financial activities of the Commission. The statement of net assets is designed to display the financial position of the government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment or function. Revenues that are not classified as program revenues are presented instead as general revenues.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission maintains several governmental individual funds organized according to their type (general fund & special revenue funds). Information in the fund financial statements is presented separately for the general fund which is the only major fund of the Commission. Data for the remaining funds are combined into a single, aggregate presentation. Individual fund data for the non-major funds is provided elsewhere in this report.

Budgets and Budgetary Accounting

The Commission's staff is required to submit its subsequent fiscal year budget to the First 5 Marin Commissioners for review and receive approval of the budget not later than at the June Commission meeting preceding the beginning of the next fiscal year. The Commission may revise the budget during the year to give consideration to any unanticipated revenues or expenditures.

Budgets for special Commission funds are an integral part of each grant agreement, and are often for a period extending beyond, or overlapping, one fiscal year. Therefore, separate annual budgets for special Commission funds are not adopted as they would apply to the specific fiscal year presented, and accordingly, are not presented in these financial statements.

Measurement Focus, Basis of Presentation, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses when the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, when applicable, are recorded only when payment is due.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grant revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. All other revenue items are considered to be measurable and available only when cash is received.

The Commission reports the following major governmental fund:

The ***General Fund*** is the Commission's operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting and Reporting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of their acquisition date. Not included as cash equivalents are funds restricted as to their use, regardless of liquidity or the maturity dates of investments.

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts Receivable and Accounts payable: The carrying amounts of accounts receivable and payable approximates its fair value.

Long-term investments: The estimated fair value of long-term investments has been determined by the Commission using available market data and appropriate methodologies. All of the investments are maintained with major financial institutions.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Credit Risk

As further discussed in Note D, financial instruments that potentially subject the Commission to concentrations of credit risk consist principally of uninsured cash balances. The Commission places its cash deposits with high-credit, quality financial institutions. At times, balances in the Commission's cash accounts may exceed the Security Investment Protection Corporation (SIPC) limit of \$500,000.

Concentration of Revenue Sources

During the year ended June 30, 2007, the Commission had one major revenue source, the California Children and Families Commission which accounted for approximately 82% of the total revenue of the Commission.

Capital Assets

Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 except where a law may impose a different threshold. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Equipment of the Commission is depreciated using the straight-line method over the appropriate useful lives.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Commission. Paid personal time off is available to any permanent employee after successfully completing six months of work. Hours will accumulate according to the schedule and cannot exceed a maximum of 340 hours for any employee. The value of accumulated vacation benefits as of June 30, 2007, is \$39,886.

<u>Year of Service</u>	<u>Hourly Standard Accrual</u>	<u>Maximum Vacation (Days/Year)</u>
0 - 3	.0385	10
3 - 10	.0577	15
10 - 20	.0770	20
20 - 30	.0962	25
30 +	.1154	30

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulate sick leave. Accumulated employee sick leave benefits are not recognized as a liability of the Commission since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period the benefits are taken.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Employee Retirement Plan

As further discussed in Note 1, since May 27, 2002, the Commission has maintained a defined contributory retirement plan with the California Public Employees' Retirement System (CalPers). CalPers allows participants to make tax deferred investment contributions. The retirement plan qualifies under the provisions of Section 414 (H) (2) of the internal revenue code of 1985.

As of January 17, 2006 the Commission also offers CalPERS 457 Deferred Compensation program to its employees. The CalPERS 457 Deferred Compensation Program is a supplemental retirement savings program available to local public agency members. The Commission does not make contributions to the plan.

Restricted Funds

Funds restricted by the grantor for particular operating purposes are deemed to be earned and reported as revenue when the Commission has incurred expenditures in compliance with the specific restrictions.

Interfund Transactions

During the course of normal operations, the Commission has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In" by the recipient fund, and "Transfers out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term borrowings are classified as "Due (to)/from other funds". These amounts are eliminated on the statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

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

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Summarized Information for 2006

The financial information for the year ended June 30, 2006, is presented for comparative purposes only, and is not intended to be a complete financial statement presentation. Certain reclassifications have been made to the comparative totals for June 30, 2006 financial statements to conform to the June 30, 2007 financial statement presentation.

NOTE C – NEW PRONOUNCEMENTS

Governmental Accounting Standards Board Statement No. 50– In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for Other Postemployment Benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is not effective until June 30, 2008. This statement is not expected to have a significant impact on the financial statements of the Commission.

Governmental Accounting Standards Board Statement No. 45 – In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. This statement establishes standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) expenses/ expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2008. This statement is not expected to have a significant impact on the financial statements of the Commission.

NOTE D – DEPOSITS AND INVESTMENTS

Cash and investments are classified in the financial statements as follows:

Deposit in County Pool	\$ 417,508
Deposits and Investments with Fiscal Agents	<u>7,488,530</u>
Total Deposits and Investments	<u><u>\$ 7,906,038</u></u>

Deposits and investments with fiscal agents consisted of the following at June 30, 2007:

Cash and Money Funds	\$ 193,769
Federal Agency Securities	5,226,872
Local Agency Investment Fund (LAIF)	<u>2,067,889</u>
Total Deposits and Investments with Fiscal Agent	<u><u>\$ 7,488,530</u></u>

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE D – DEPOSITS AND INVESTMENTS – (Continued)

The Commission does not have a deposit or investment policy and therefore does not maintain policies for exposure to credit risk (including custodial credit risk and concentration of credit risk) and interest rate risk. However, the Commission is authorized under California Government Code to make direct investments in the following:

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percent of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investments Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The risk associated with an investment is indicated by disclosing a credit quality rating of investments as described by nationally recognized statistical rating organizations. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type-</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 2,067,889
Bank of the West: Federal Agency	5,226,872
Cash and Money Funds	193,769
	<u>\$ 7,488,530</u>

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE D – DEPOSITS AND INVESTMENTS – (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk on investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the secure public deposits. All of the investments of the Commission on deposit with financial institutions are insured up to the federal depository insurance limit and any excess funds are collateralized with securities held by the pledging financial institutions' trust department or agent but not in the name of the Commission.

Concentration of Credit Risk

As previously stated, the California Government Code places limitations on the amount that can be invested in any one issuer. As noted below, the Commission has no investments in any one issuer (other than U.S. government obligations, obligations guaranteed by the U.S. government, mutual funds and external investment pools) that represent 5% or more of the total investments.

		<u>Carrying</u>	
		<u>Amount</u>	
Deposits and Investments with Fiscal Agents:			
Local Agency Investment Fund	\$	2,067,889	28%
Bank of the West: Cash and Money Funds		193,769	3%
Federal Home Loan Mortgage		1,646,477	22%
Federal Home Loan Banks		3,093,050	41%
Federal National Mortgage Assoc.		487,345	7%
	\$	<u>7,488,530</u>	

Governmental agencies are required to report cash and investments based on fair value rather than cost in accordance with Government Accounting Standards Board (GASB) statement #31. The commission has determined that cost and fair values of their LAIF funds are not materially different (Fair Value is 99.954% of cost); as such no adjustment has been reported on these financial statements.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE D – DEPOSITS AND INVESTMENTS – (Continued)

Interest Rate Risk

Interest rate risk is the risk that the changes in market interest rates will adversely affect the fair value of an investment. The Commission manages their interest rate risk by keeping the majority of its portfolio with investments that have a maturity date of 3 years or less.

As of June 30, 2007 the Commission had the following Investments

	<u>Interest Rates (%)</u>	<u>Maturities</u>	<u>Carrying Value</u>
Local Agency Investment Fund	5.23	on demand	\$ 2,067,889
Investments with Outside Fiscal Agent:			
Cash and Money Funds		on demand	193,769
Fed. Home Loan Mortgage Corp.	3.050-5.55	01/07-09/10	1,646,477
Fed. Home Loan Banks	2.590-5.75	02/07-12/09	3,093,050
Fed. National Mortgage Assc.	3.60	12/06-03/09	<u>487,345</u>
Total Investments			<u>\$ 7,488,530</u>

The types of investments made during the year were substantially the same as those held as of June 30, 2006. Fair value fluctuates with interest rates. The Commission's management believes the liquidity in the portfolio is sufficient to meet cash flow requirements and preclude the Commission from having to sell investments below original cost for that purpose. Interest and net investment loss is comprised of the following at June 30, 2007.

	<u>Interest and Dividends</u>	<u>Realized Gain / (Loss) on Invest.</u>	<u>Unrealized Gain / (Loss) on Invest.</u>	<u>Total Return on Investments</u>
Local Agency Inv. Fund	\$ 98,815	\$	\$	\$ 98,815
Cash and Money Funds	36,173			36,173
Federal Agency Bonds	<u>210,379</u>	<u>(1,623)</u>	<u>57,385</u>	<u>266,141</u>
Subtotal Investment	<u>345,367</u>	<u>(1,623)</u>	<u>57,385</u>	<u>401,129</u>
Deposits in County Pool	<u>52,008</u>			<u>52,008</u>
Total Investment Income	<u>\$ 397,375</u>	<u>\$ (1,623)</u>	<u>\$ 57,385</u>	<u>\$ 453,137</u>

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June, 30, 2007:

Due from Other Governments:	
First 5 California - Prop 10 revenue	\$ 382,632
Surplus Money Investment Fund Allocation	14,071
Compr. Approaches to Raising Education Standards	125,085
Parent Services Project	158,975
Interest Receivable	38,386
	<u>\$ 719,149</u>

NOTE F – CAPITAL ASSETS

The capital asset balance at June 30, 2007 consisted of the following activity:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital Assets Depreciable			
Software	\$ 11,142	\$	\$ 11,142
Office Equipment	21,323	-	21,323
Total Depreciable Capital Assets	<u>32,465</u>	<u>-</u>	<u>32,465</u>
Less Accumulated Dep.	14,907	6,493	21,400
Total Capital Assets, Net	<u>\$ 17,558</u>	<u>\$ (6,493)</u>	<u>\$ 11,065</u>

Total depreciation charged to governmental function for June 30, 2007 was \$6,493.

NOTE G – GRANTS PAYABLE

At June 30, 2007, Grants Payable consisted of the following:

Easter Seals	\$ 53,204
Marin Co. Dept. of HHS	43,293
Marin Literacy	40,541
Community Action of Marin	<u>35,478</u>
Subtotal	172,516

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE G – GRANTS PAYABLE – (Continued)

At June 30, 2007, Grants Payable consisted of the following:

Subtotal previous page	172,516
Novato Youth Center	34,665
Matrix Parent Network	31,602
Marin Head Start	28,924
Children & Family Safety Net	27,304
Jewish Family & Children's Center	24,000
Children's Health Premiums	22,870
Children's Oral Health Project	22,483
Pickleweed CC Preschool	20,420
Other Below \$20,000	122,328
	<u>\$ 507,112</u>

NOTE H – CHANGES IN LONG-TERM LIABILITITES

Long-term liability activities for the year ended June 30, 2007 were as follows

	Balance June 30, 2006	Increase (Decrease)	Balance June 30, 2007	Due within One Year
Compensated Absences	\$ 38,167	\$ 1,719	\$ 39,886	\$
Capital Lease	14,870	(4,172)	10,698	4,414
	<u>\$ 53,037</u>	<u>\$ (2,453)</u>	<u>\$ 50,584</u>	<u>\$ 4,414</u>

Capital Lease Obligation

The commission leases equipment, principally data processing and reproduction. These leases are accounted for as capital leases and are included in the Governmental-type funds. The following are fixed asset amounts under capital leases:

	<u>Governmental Activity</u>
Office Copier	\$ 21,323
Less: Accumulated Depreciation	(11,372)
	<u>\$ 9,951</u>

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE H – CHANGES IN LONG-TERM LIABILITITES – (Continued)

The capital lease is payable to BizHub with interest and principal due in monthly installments of approximately \$409. The interest rate applicable to the capital lease is 5.63%. The capital lease will expire in 2009. The following is a schedule of future minimum lease payments under the capital lease together with present value of future minimum lease payments as of June 30, 2007:

<u>Year Ending June 30,</u>	<u>Office Copier</u>
2008	\$ 4,903
2009	4,903
2010	1,635
	11,441
Less Amount Representing Interest	743
Present Value of Remaining Payments	\$ 10,698

NOTE I – EMPLOYEE RETIREMENT PLAN

Plan Description

The Commission contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disabilities, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Commission selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through city ordinances. PERS issues a separate comprehensive annual financial report. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their annual covered salary. The Commission is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The current rate is 11.935% for employees. The contribution requirements are established by State statute and the contribution rate of plan members and the Commission are established and may be amended by PERS.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE I – EMPLOYEE RETIREMENT PLAN – (Continued)

Annual Pension Cost

For fiscal year 2007, the Commission's annual pension cost of \$43,995 for PERS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included:

1. 7.75% investment rate of return (net of administrative expenses),
2. Projected annual salary increases that vary by duration of service, and
3. 3.00% per year cost-of-living adjustment.

Both 1. and 2. included an inflation component of 3.00%. The actuarial value of PERS assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over three year period (smoothed market value).

PERS' unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007 was one year for prior service unfunded amounts, and 15 years for remaining unfunded amounts.

Three-Year Trend Information for PERS:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 35,797	100%	\$ 0
6/30/2004	\$ 39,705	100%	\$ 0
6/30/2005	\$ 52,726	100%	\$ 0

The most recent available data from the California Public Employees Retirement System for funding progress is as follows:

<u>Actuarial Valuation Date</u>	(1) <u>Actuarial Value of Assets</u>	(2) <u>Actuarial Accrued Liability (AAL)</u>	(2)-(1) <u>Unfunded AAL (UAAL)</u>	(1)/(2) <u>Funded Ratio</u>	(3) <u>Covered Payroll</u>	{(2)-(1)/(3)} <u>UAAL as of % of Covered Payroll</u>
6/30/2003	\$ 3,024	\$ 38,638	\$ 35,614	7.83%	\$ 205,133	17.36%
6/30/2004	\$ 54,786	\$ 88,076	\$ 33,290	62.20%	\$ 218,337	15.25%
6/30/2005	\$ 61,755	\$ 99,280	\$ 37,525	62.20%	\$ 246,112	15.25%

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE, 30, 2007

NOTE J – FUND BALANCE

Fund balance represents the value of funds available to the Commission. Fund balance is composed of two categories reserved and unreserved. Fund balance at June 30, 2007 is reserved and designated for the following purposes:

Reserved for Encumbrances:

Children's Health Initiative	\$	828,660	
Health Advocacy/Health Literacy		414,000	
Special Needs Mental Health		873,044	
School Readiness Expansion		591,593	
Canal School Readiness		950,282	
Marin CARES		123,500	
Marin Values and Invests in Children		290,300	
Evaluation/Data		112,900	
Salary Liability		39,886	
Lease Liability		<u>215,665</u>	\$ 4,439,830
Reserved for Prepaid Costs			<u>1,384</u>
Total Reserved Fund Balance			<u><u>\$ 4,441,214</u></u>

Unreserved:

Designated for Local Initiatives & Program Sustainability	\$	<u><u>3,527,636</u></u>
-----------------------------------------------------------	----	-------------------------

NOTE K– RISK MANAGEMENT

Potential losses of the Commission are those involving personal injury and property damage as a result of projects sponsored by the Commission, and possible liabilities for the acts of directors and employees. The Commission covers these risks of loss with the purchase of private insurance. 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 L – COMMITMENTS

During the fiscal year ended June 30, 2007, the Commission committed to \$3,166,525 in project expenses. As of June 30, 2007, \$540,737 in commitments remains outstanding and will continue to the Commission's 07-08 fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - Budget to Actual
ALL FUNDS
YEAR ENDED JUNE 30, 2007

	ALL FUNDS			
	Budgeted Amounts *		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tax Revenue	\$ 2,337,192	\$ 2,337,192	\$ 2,314,666	\$ (22,526)
State Program Match	312,759	312,759	311,454	(1,305)
SMIF State Investment Funds	-	-	14,071	14,071
Interest income	60,000	60,000	397,375	337,375
Realized Gain/(Loss) on Investment	-	-	(1,623)	(1,623)
Unrealized Gain/(Loss) on Investments	-	-	57,385	57,385
Other income	34,000	34,000	196,663	162,663
Total Revenues	<u>2,743,951</u>	<u>2,743,951</u>	<u>3,289,991</u>	<u>546,040</u>
Expenditures:				
Current:				
Salaries and employee benefits	541,671	541,671	448,306	93,365
Special Projects	3,183,398	3,183,398	2,625,788	557,610
Consultants Services	183,000	183,000	101,469	81,531
Travel & Conferences	15,000	15,000	10,629	4,371
Meetings	10,250	10,250	9,924	326
Supplies	8,200	8,200	15,146	(6,946)
Equipment	3,500	3,500	501	2,999
Postage and Printing	3,500	3,500	8,168	(4,668)
Telephone	5,864	5,864	5,522	342
Insurance	8,720	8,720	8,305	415
Rent & Occupancy	91,594	91,594	84,994	6,600
Equipment Rental & Maintenance	9,900	9,900	12,833	(2,933)
Investment Expense	-	-	23,491	(23,491)
Public Education & Communication	73,000	73,000	33,247	39,753
Other	119,000	119,000	11,598	107,402
	<u>4,256,597</u>	<u>4,256,597</u>	<u>3,399,921</u>	<u>856,676</u>
Revenues Over/(Under)				
Expenditures:	<u>(1,512,646)</u>	<u>(1,512,646)</u>	<u>(109,930)</u>	<u>(1,402,716)</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(91,275)	91,275
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(91,275)</u>	<u>91,275</u>
Net Change in Fund Balances	<u>\$ (1,512,646)</u>	<u>\$ (1,512,646)</u>	<u>(201,205)</u>	<u>\$ (1,493,991)</u>
Fund Balances:				
Beginning of Year			<u>8,170,055</u>	
End of Year			<u>\$ 7,968,850</u>	

* The budget of the Commission is adopted as an organization-wide budget

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Investment Strategy</u>	<u>Projects Combined</u>	<u>Total All Funds</u>
REVENUES			
Tax Revenue	\$ -	\$ 2,146,724	\$ 2,146,724
State Program Match	-	311,454	311,454
SMIF State Investment Funds	-	14,071	14,071
Interest income	246,552	69,627	316,179
Realized Gain/(Loss) on Investment	(1,623)	-	(1,623)
Unrealized Gain/(Loss) on Investments	57,385	-	57,385
Other income	-	-	-
Total Revenues	<u>302,314</u>	<u>2,541,876</u>	<u>2,844,190</u>
EXPENDITURES			
General Government:			
Salaries and employee benefits	-	321,531	321,531
Special Projects	-	2,625,788	2,625,788
Consultants & Contract Services:			
Audit	-	-	-
Strategic Plan Research	-	-	-
Evaluation and Data	-	83,450	83,450
Other	-	12,899	12,899
Travel & Conferences	-	2,268	2,268
Meetings	-	6,389	6,389
Supplies	-	10,504	10,504
Equipment	-	501	501
Postage and Printing	-	3,830	3,830
Telephone	-	5,245	5,245
Insurance	-	3,928	3,928
Rent & Occupancy	-	84,994	84,994
Equipment Rental & Maintenance	-	10,747	10,747
Investment Expense	23,491	-	23,491
Public Education & Communication	-	33,247	33,247
Other	-	-	-
Total Expenditures	<u>23,491</u>	<u>3,205,321</u>	<u>3,228,812</u>
Excess of Revenues Over / (Under) Expenditures	<u>278,823</u>	<u>(663,445)</u>	<u>(384,622)</u>
Other Financing Sources/(Uses)- Transfers In / (Out) Other Funds	<u>(4,303,570)</u>	<u>2,314,469</u>	<u>(1,989,101)</u>
Excess of Revenues and Other Sources Over/(Under) Expenditures and Other Uses	<u>(4,024,747)</u>	<u>1,651,024</u>	<u>(2,373,723)</u>
Fund Balance, beginning of year	<u>4,024,747</u>	<u>2,138,896</u>	<u>6,163,643</u>
Fund Balance, end of year	<u>\$ -</u>	<u>\$ 3,789,920</u>	<u>\$ 3,789,920</u>

MARIN CHILDREN AND FAMILIES COMMISSION
 (dba FIRST 5 MARIN)
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NON MAJOR SPECIAL REVENUE FUNDS - Projects
FOR THE YEAR ENDED JUNE 30, 2007

	Protecting Children's Health	Ready for School	Canal School Readiness	Marin Values Children	Evaluation	Subtotal
REVENUES						
Tax Revenue	\$ 891,633	\$ 361,679	\$ 351,581	\$ 401,886	\$ 139,945	\$ 2,146,724
State Program Match	-	125,085	186,369	-	-	311,454
SMIF State Investment Funds	14,071	-	-	-	-	14,071
Interest income	33,627	12,000	9,000	12,000	3,000	69,627
Realized Gain/(Loss) on Investment	-	-	-	-	-	-
Unrealized Gain/(Loss) on Investments	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total Revenues	939,331	498,764	546,950	413,886	142,945	2,541,876
EXPENDITURES						
General Government:						
Salaries and employee benefits	95,495	75,871	35,284	91,444	23,437	321,531
Special Projects	1,093,220	752,462	493,868	260,238	26,000	2,625,788
Consultants & Contract Services:						
Audit	-	-	-	-	-	-
Strategic Plan Research	-	-	-	-	-	-
Evaluation and Data	-	-	-	-	83,450	83,450
Other	3,500	2,000	1,500	5,399	500	12,899
Travel & Conferences	932	786	26	524	-	2,268
Meetings	641	529	1,095	3,987	137	6,389
Supplies	4,279	1,133	847	2,633	1,612	10,504
Equipment	501	-	-	-	-	501
Postage and Printing	1,116	224	168	2,266	56	3,830
Telephone	1,912	1,104	828	1,104	297	5,245
Insurance	1,447	827	620	827	207	3,928
Rent & Occupancy	28,222	18,190	13,642	18,191	6,749	84,994
Equipment Rental & Maintenance	5,218	1,731	1,072	2,226	500	10,747
Investment Expense	-	-	-	-	-	-
Public Education & Communication	3,200	5,000	-	25,047	-	33,247
Other	-	-	-	-	-	-
Total Expenditures	1,239,683	859,857	548,950	413,886	142,945	3,205,321
Excess of Revenues Over / (Under) Expenditures	(300,352)	(361,093)	(2,000)	-	-	(663,445)
Other Financing Sources/(Uses)- Transfers In / (Out) Other Funds	2,461,344	(1,199,915)	510,321	453,219	89,500	2,314,469
Excess of Revenues and Other Sources Over/(Under) Expenditures and Other Uses	2,160,992	(1,561,008)	508,321	453,219	89,500	1,651,024
Fund Balance, beginning of year	-	2,138,896	-	-	-	2,138,896
Fund Balance, end of year	\$ 2,160,992	\$ 577,888	\$ 508,321	\$ 453,219	\$ 89,500	\$ 3,789,920

OTHER INFORMATION

**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***

October 19, 2007

Board of Commissioners
Marin Children and Families Commission
(dba First 5 Marin)
San Rafael, California

We have audited the financial statements of **Marin Children and Families Commission** as of and for the year ended June 30, 2007, and have issued our report thereon dated October 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

**Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financials Statements
Performed in Accordance With *Government Auditing Standards***

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants, Inc.

Independent Auditor's Report on State Compliance

October 19, 2007

Board of Commissioners
Marin Children and Families Commission
 (dba First 5 Marin)
 San Rafael, California

We have audited the basic financial statements of **Marin Children and Families Commission**, a component unit of the County of Marin, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 19, 2007.

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

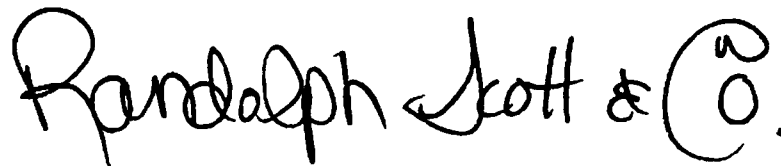
The Commission's management is responsible for the Commission's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the laws and regulations applicable to the following items.

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict of Interest	3	Yes
County Ordinance	7	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

Independent Auditor's Report on State Compliance

Based on our audit we found that, for the items tested, the complied with the laws and regulations of the items referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Commission had no complied with the laws and regulations of the California Children and Families program

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

A handwritten signature in black ink that reads "Randolph Scott & Co." with a stylized flourish at the end of the "O".

Certified Public Accountants, Inc.

MARIN CHILDREN AND FAMILIES COMMISSION
(dba FIRST 5 MARIN)
COMMISSION MEMBERSHIP
YEAR ENDED JUNE 30, 2007

Commission Members:

Regina Archer	Marin County/Mental Health Clinician
David Bonfilio	Smoke Free Marin
Aideen Gaidmore	Marin Child Care Council
Cio Hernandez	Women's Health Services
Steve Kinsey	Supervisor of the 4 th District of Marin County
John Leonard	Marin Child Care Community
Charlene Reid	Director of Social Services
Frima Stewart	Chief of Children's Health Services
Dr. Alicia Suski	Pediatrics, Marin Community Clinic