

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**

**REPORT ON EXAMINATION**  
**OF FINANCIAL STATEMENTS**  
**AND ADDITIONAL INFORMATION**

**YEAR ENDED JUNE, 30, 2008**

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October 7, 2008

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, 2008, 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 2007 financial statements and, in our report dated October 19, 2007; 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.

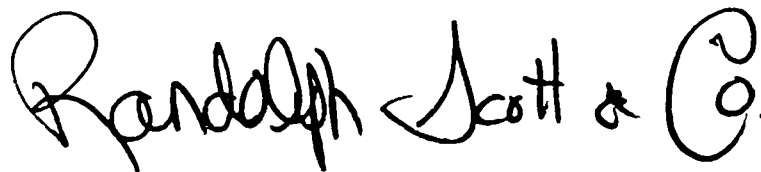
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund and the aggregate remaining fund information of **Marin Children and Families Commission (dba First 5 Marin)**, as of June 30, 2008, 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 7, 2008

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2008 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, 2008. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

**Financial Highlights**

- The Commission received \$2,257,462 in tax revenue compared to \$2,328,737 received in the prior fiscal year, a decrease of \$71,275, or 3.1%.
- The Commission had expenses totaling \$3,491,186 in fiscal year ended June 30, 2008, which is a increase of \$87,226, or 2.6% compared to \$3,403,960 in fiscal year ended June 30, 2007.
- The Commission's assets decreased from \$8,635,447 in FY 2006-07 to \$8,428,296 in FY 2007-08 by \$207,151, or 2.4%.
- The Commission's liabilities increased from \$698,115 in FY 2006-07 to \$952,438 in FY 2007-08 by \$254,323 or 36.4%.

**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 \$7,475,858 at the end of the year.

<b><u>NET ASSETS</u></b>			
	<b>2008</b>	<b>2007</b>	<b>Percentage Change</b>
<b>Assets:</b>			
Current and other assets	\$ 8,422,610	\$ 8,624,382	-2%
Capital assets	5,686	11,065	-49%
Total assets	<u>\$ 8,428,296</u>	<u>\$ 8,635,447</u>	-2%
<b>Liabilities:</b>			
Long-term liabilities	\$ 50,490	\$ 46,169	9%
Other liabilities	901,948	651,946	38%
Total liabilities	<u>952,438</u>	<u>698,115</u>	36%
<b>Net Assets:</b>			
Restricted	7,470,172	7,926,267	-6%
Invested in capital assets	5,686	11,065	-49%
Total net assets	<u>7,475,858</u>	<u>7,937,332</u>	-6%
Total liabilities and net assets	<u>\$ 8,428,296</u>	<u>\$ 8,635,447</u>	-2%

**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 \$8,428,296 decreased by \$207,151 or 2.4% compared with the prior year. The change in current and other assets of \$201,772 or 2.3% is primarily due to decrease in receivables from the State Commission.

The increase in long-term liabilities of \$4,321 is primarily due to an increase in compensated absences. Other liabilities increased by 38% due to an increase in contracts payable and payroll liabilities at 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, 2008 with 2007.

	2008	2007	Percentage Change
<b>Revenues:</b>			
Program Revenue			
Tax Revenue	\$ 2,257,462	\$ 2,328,737	-3%
School Readiness	186,369	186,369	0%
State CARES Matching Funds	130,000	125,085	4%
MAA Revenue	26,170	-	100%
	<u>2,600,001</u>	<u>2,640,191</u>	-2%
General Revenue			
Investment income	427,201	453,137	-6%
Other income	2,610	196,663	-99%
	<u>429,811</u>	<u>649,800</u>	-34%
<b>Total Revenues</b>	<u>3,029,812</u>	<u>3,289,991</u>	-7.9%
<b>Expenses:</b>			
Provider grants	2,564,673	2,625,788	-2%
Salaries and benefits	523,378	448,306	17%
Operating services	151,508	153,568	-1%
Professional services	125,815	101,469	24%
Investment expense	25,906	23,491	10%
Other expenses	94,527	44,845	111%
Depreciation	5,379	6,493	-17%
Total expenses	<u>3,491,186</u>	<u>3,403,960</u>	3%
<b>Changes in net assets:</b>	(461,374)	(113,969)	305%
Transfers Out	(100)	(91,275)	100%
Net assets - beginning	7,937,332	8,142,576	-3%
Net assets - ending	<u>\$ 7,475,858</u>	<u>\$ 7,937,332</u>	-6%

**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 \$3,029,812 during fiscal year ended June 30, 2008, which was a decrease of \$260,179, or 8% compared with the prior year's total revenues of \$3,289,991. The decrease in the Commission's revenue is primarily due to the following explanations:

Tobacco Tax Revenues

Unrestricted tobacco tax revenue decreased from \$2,328,737 in FY 2006-07 to \$2,257,462 in FY 2007-08, a decrease of \$71,275, or 3.1% (primarily due to reduced tobacco product sales in FY 2007-08). The restricted State Match Funds received for the Canal School Readiness Initiative were the same as in FY2006-07 and the MarinCARES Program increased total revenues for FY 2007-08 by \$19,426. 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 2007-08 were \$186,369, and were restricted to Canal School Readiness Initiative contractual program expenditures.

State Commission Matching Grant

In FY 2007-08, the Ready for School Project received \$130,000 from the State Commission's Comprehensive Approaches to Raising Education Standards (CARES) matching grant program. These funds are the third 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 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 2007-08. The increase is due to the following:

- The Local Agency Investment Fund (LAIF) account earned \$90,267 in interest in FY 2007-08. This was a decrease of \$8,548 or 8.7% compared to \$98,815 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 \$288,555 in interest and had an realized gain of \$6,254 in FY 2007-08 for a total increase of \$294,809. This was an increase of \$49,880 or 20% compared to \$244,929 earned in the prior year.
- The Bank of the West investment accounts had an unrealized gain on the fair value of the investments of \$26,345 at June 30, 2008. This was a decrease over the prior year that had an unrealized gain of \$57,385.
- In addition the Commission earned interest of \$27,253 during the FY 2007-08 on funds held in deposit by the County pool. This is a decrease of \$24,755 or 47.6% 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 \$3,491,186 in FY 2007-08 compared to \$3,403,960 in the previous fiscal year. This is an overall increase in expenses of 87,226 or 2.6%. First 5 Marin reimburses for actual verified expenses.

Initiative/Program Grants

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

Salaries and Benefits

Salary and benefits expense increased by 17% in FY 2007-08 from \$448,306 in the previous year to \$523,378. The increase is attributable salary step increase and the increased cost of medical benefits.

**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 5<sup>th</sup> 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, 2008**

		Governmental Activities
<b><u>ASSETS</u></b>		
Current Assets:		
Deposit in County Pool	\$	558,251
Deposits and Investments with Fiscal Agent		7,386,896
Receivables:		
Interest Receivable		14,062
State Commission		308,323
Other Receivable		145,694
Prepaid Expenses		1,384
Total Current Assets		8,414,610
Noncurrent Assets:		
Deposits		8,000
Capital Assets:		
Equipment, net of depreciation		5,686
Software, net of amortization		-
Total Capital Assets		5,686
Total Noncurrent Assets		13,686
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>8,428,296</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Capital lease payable within one year	\$	4,669
Accounts payable & Accrued Expenses		204,515
Contracts payable		354,769
Contracts payable - related parties		337,995
Total Current Liabilities		901,948
Noncurrent Liabilities:		
Capital lease payable		1,615
Compensated absences		48,875
Total Noncurrent Liabilities		50,490
Total Liabilities		952,438
<b>NET ASSETS</b>		
Invested in capital assets		5,686
Restricted for:		
Local Initiative & Sustainability Investment		7,470,172
Total Net Assets		7,475,858
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>8,428,296</b>

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, 2008**

	<b>Program Expenses</b>	<b>Program Revenue</b>	<b>Net (Expense)/ Revenue &amp; Changes in Net Assets</b>
<b>Functions / Programs</b>	<b>Expenses</b>	<b>Operating Grants &amp; Contributions</b>	<b>Governmental Activities</b>
<b>Primary Government:</b>			
Governmental Activities:			
Protecting Children's Health	\$ 1,179,327	\$ 885,843	\$ (293,484)
Ready for School	870,342	534,950	(335,392)
Canal School Readiness	532,903	466,585	(66,318)
Marin Values Children	448,900	406,545	(42,355)
Evaluation	175,657	135,709	(39,948)
Investment Strategy	25,906	-	(25,906)
General Administration	252,282	170,369	(81,913)
Depreciation and Interest (no direct expense applicable)	5,869	-	(5,869)
<b>Total Primary Government</b>	<b>\$ 3,491,186</b>	<b>\$ 2,600,001</b>	<b>\$ (891,185)</b>
<b>General Revenues:</b>			
Interest and Investment income		\$ 394,602	
Realized Gain on Investment		6,254	
Unrealized Loss on Investment		26,345	
Other Income		2,610	
		429,811	
<b>Subtotal</b>			(461,374)
<b>Other Financing Sources / (Uses)-</b>			
<b>Transfers In / (Out) Other funds</b>			(100)
<b>Change in Net Assets:</b>			(461,474)
<b>Net Assets - beginning of year:</b>			7,937,332
<b>Net Assets - end of year:</b>			\$ 7,475,858

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, 2008

(With Comparative Financial Information for 2007)

	June 30, 2008			June 30, 2007		
	Major Fund	Non-Major	Total	Major Fund	Non-Major	Total
	General	Governmental	Governmental	General	Governmental	Governmental
	Fund	Funds	Funds	Fund	Funds	Funds
<b>ASSETS</b>						
Deposits and Investments	\$ 558,251	\$ 7,386,896	\$ 7,945,147	\$ 407,319	\$ 7,488,530	\$ 7,895,849
Receivables:						
Interest Receivable	-	14,062	14,062	11,473	26,913	38,386
State Commission	-	308,323	308,323	-	521,788	521,788
Other Receivables	-	145,694	145,694	-	158,975	158,975
Prepaid Costs	1,384	-	1,384	1,384	-	1,384
Due (to)/from other funds	(353,736)	353,736	-	(409,906)	409,906	-
<b>TOTAL ASSETS</b>	<b>\$ 205,899</b>	<b>\$ 8,208,711</b>	<b>\$ 8,414,610</b>	<b>\$ 10,270</b>	<b>\$ 8,606,112</b>	<b>\$ 8,616,382</b>
<b>LIABILITIES &amp; FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable & Other Accrued Expenses	\$ 204,515	\$ -	\$ 204,515	\$ 8,886	\$ -	\$ 8,886
Contracts Payable	-	354,769	354,769	-	562,740	562,740
Contracts Payable - related parties	-	337,995	337,995	-	75,906	75,906
Total Liabilities	<u>204,515</u>	<u>692,764</u>	<u>897,279</u>	<u>8,886</u>	<u>638,646</u>	<u>647,532</u>
<b>FUND BALANCES:</b>						
Reserved for Prepaid Costs	1,384	-	1,384	1,384	-	1,384
Reserved for Encumbrances	-	3,598,485	3,598,485	-	4,439,830	4,439,830
Unreserved:						
Designated for Local Initiatives and Program Sustainability	-	3,917,462	3,917,462	-	3,527,636	3,527,636
Undesignated	-	-	-	-	-	-
Total Fund Balances	<u>1,384</u>	<u>7,515,947</u>	<u>7,517,331</u>	<u>1,384</u>	<u>7,967,466</u>	<u>7,968,850</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 205,899</b>	<b>\$ 8,208,711</b>	<b>\$ 8,414,610</b>	<b>\$ 10,270</b>	<b>\$ 8,606,112</b>	<b>\$ 8,616,382</b>

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

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**  
**(With Comparative Financial Information for 2007)**

	June 30, 2008			June 30, 2007		
	Major Fund General Fund	Non-Major Governmental Funds	Total Governmental Funds	Major Fund General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Tax Revenue	\$ 169,400	\$ 2,076,033	\$ 2,245,433	\$ 167,942	\$ 2,146,724	\$ 2,314,666
State Program Match	-	316,369	316,369	-	311,454	311,454
SMIF State Investment Funds	969	11,060	12,029	-	14,071	14,071
MAA Revenue	-	26,170	26,170	-	-	-
Interest income	106,047	288,555	394,602	81,196	316,179	397,375
Realized Gain/(Loss) on Investment	-	6,254	6,254	-	(1,623)	(1,623)
Unrealized Gain/(Loss) on Investments	-	26,345	26,345	-	57,385	57,385
Other income	2,610	-	2,610	196,663	-	196,663
<b>Total Revenues</b>	<b>279,026</b>	<b>2,750,786</b>	<b>3,029,812</b>	<b>445,801</b>	<b>2,844,190</b>	<b>3,289,991</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Salaries and employee benefits	141,107	382,271	523,378	126,775	321,531	448,306
Special Projects	-	2,564,673	2,564,673	-	2,625,788	2,625,788
Consultants & Contract Services:						
Audit and Admin Services	7,755	-	7,755	5,120	-	5,120
Strategic Plan Research	1,755	-	1,755	-	-	-
Evaluation and Data	-	86,361	86,361	-	83,450	83,450
Other	13,872	16,072	29,944	-	12,899	12,899
Travel & Conferences	5,256	2,306	7,562	8,361	2,268	10,629
Meetings	6,036	4,286	10,322	3,535	6,389	9,924
Supplies	1,802	3,427	5,229	4,642	10,504	15,146
Equipment	-	-	-	-	501	501
Postage and Printing	3,573	4,731	8,304	4,338	3,830	8,168
Telephone	330	5,796	6,126	277	5,245	5,522
Insurance	4,208	3,951	8,159	4,377	3,928	8,305
Rent & Occupancy	4,612	87,624	92,236	-	84,994	84,994
Equipment Rental & Maintenance	2,175	6,819	8,994	2,086	10,747	12,833
Investment Expense	-	25,906	25,906	-	23,491	23,491
Public Education & Communication	-	38,672	38,672	-	33,247	33,247
Other	55,715	140	55,855	11,598	-	11,598
<b>Total Expenditures</b>	<b>248,196</b>	<b>3,233,035</b>	<b>3,481,231</b>	<b>171,109</b>	<b>3,228,812</b>	<b>3,399,921</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>30,830</b>	<b>(482,249)</b>	<b>(451,419)</b>	<b>274,692</b>	<b>(384,622)</b>	<b>(109,930)</b>
<b>Other Financing Sources/(Uses)- Transfers In / (Out) Other Funds</b>	<b>(100)</b>	<b>-</b>	<b>(100)</b>	<b>1,997,826</b>	<b>(1,989,101)</b>	<b>(91,275)</b>
<b>Net Change in Fund Balances</b>	<b>30,730</b>	<b>(482,249)</b>	<b>(451,519)</b>	<b>2,172,518</b>	<b>(2,373,723)</b>	<b>(201,205)</b>
<b>Fund Balance, beginning of year</b>	<b>4,178,930</b>	<b>3,789,920</b>	<b>7,968,850</b>	<b>2,006,412</b>	<b>6,163,643</b>	<b>8,170,055</b>
<b>Fund Balances, end of year</b>	<b>4,209,660</b>	<b>3,307,671</b>	<b>7,517,331</b>	<b>4,178,930</b>	<b>3,789,920</b>	<b>7,968,850</b>

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, 2008**

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

		<u>Total Governmental Funds</u>
Fund Balances - Total Governmental Funds	\$	7,517,331
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		5,686
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>(55,159)</u>
Net Assets of Governmental Activities:	\$	<u><u>7,475,858</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	\$	(451,519)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		(5,379)
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>(4,576)</u>
Changes in Net Assets of Governmental Activities	\$	<u><u>(461,474)</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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008, the Commission had one major revenue source, the California Children and Families Commission which accounted for approximately 86% 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, 2008, is \$48,875.

<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, 2008**

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

**Employee Retirement Plan**

As further discussed in Note I, 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, 2008**

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

**Summarized Information for 2007**

The financial information for the year ended June 30, 2007, 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, 2007 financial statements to conform to the June 30, 2008 financial statement presentation.

**NOTE C – NEW PRONOUNCEMENTS**

**Governmental Accounting Standards Board Statement No. 52**– In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by Endowments. This statement is not effective until June 30, 2009. Although the By Laws of the California Commission do allow for the receiving of donations of money, property, facilities, or services, this statement is not expected to have a significant impact on the financial statements of the Commission.

**Governmental Accounting Standards Board Statement No. 53** – In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by local governments. Derivative instruments are complex financial arrangements used by governments to manage specific risks or to make investments. This statement is not effective until June 30, 2010. 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	\$ 558,251
Deposits and Investments with Fiscal Agents	<u>7,386,896</u>
Total Deposits and Investments	<u><u>\$ 7,945,147</u></u>

Deposits and investments with fiscal agents consisted of the following at June 30, 2008:

Cash and Money Funds	\$ 285,735
Federal Agency Securities	5,430,153
Local Agency Investment Fund (LAIF)	<u>1,671,008</u>
Total Deposits and Investments with Fiscal Agent	<u><u>\$ 7,386,896</u></u>

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE, 30, 2008**

**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)	\$ 1,671,008
Bank of the West: Federal Agency	5,430,153
Cash and Money Funds	<u>285,735</u>
	<u>\$ 7,386,896</u>

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE, 30, 2008**

**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 Amount</u>	
Deposits and Investments with Fiscal Agents:		
Local Agency Investment Fund	\$ 1,671,008	23%
Bank of the West: Cash and Money Funds	285,735	4%
Federal Home Loan Banks	3,232,175	44%
Federal National Mortgage Assoc.	1,307,891	18%
Other Federal Loan Banks	694,043	9%
M&I Marshall & Ilsley Bank Miliwaukee	196,044	3%
	<u>\$ 7,386,896</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 99.995% 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, 2008**

**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, 2008 the Commission had the following Investments

	<u>Interest Rates (%)</u>	<u>Maturities</u>	<u>Carrying Value</u>
Local Agency Investment Fund	3.11 - 5.24	on demand	\$ 1,671,008
Investments with Outside Fiscal Agent:			
Cash and Money Funds	-	on demand	285,735
Fed. Home Loan Mortgage Corp.	3.53	9/03	335,730
Fed. Home Loan Banks	3.48 - 5.60	10/08 - 2/13	3,232,175
Fed. National Mortgage Assc.	3.58 - 5.32	3/09 - 10/12	1,307,891
Fed. Farm Cr Manks	4.61 - 4.84	8/10 - 12/12	358,313
M & I Marshall & Ilsley Bank Milwaukee	4.49	3/10	<u>196,044</u>
Total Investments			<u>\$ 7,386,896</u>

The types of investments made during the year were substantially the same as those held as of June 30, 2007. 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, 2008.

	<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	\$ 78,794	\$ -	\$ -	\$ 78,794
Cash and Money Funds	90,444	-	-	90,444
Federal Agency Bonds	<u>198,111</u>	<u>6,254</u>	<u>26,345</u>	<u>230,710</u>
Subtotal Investment	<u>367,349</u>	<u>6,254</u>	<u>26,345</u>	<u>399,948</u>
Deposits in County Pool	<u>27,253</u>	<u>-</u>	<u>-</u>	<u>27,253</u>
Total Investment Income	<u>\$ 394,602</u>	<u>\$ 6,254</u>	<u>\$ 26,345</u>	<u>\$ 427,201</u>



**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE, 30, 2008**

**NOTE G – CONTRACTS PAYABLE – (Continued)**

At June 30, 2008, Grants Payable consisted of the following:

Subtotal previous page	277,801
Marin Co. Dept. of HHS	69,692
Marin City / Sausalito / Community Action Marin	34,997
Bay Area Community Resource	31,790
Novato Youth Center	31,504
San Geronimo V.C.C.	28,886
Jewish Children's & Family Services	24,000
Children's Health Premiums	22,941
San Rafael City School District	20,616
Other Below \$20,000	150,537
	<u>\$ 692,764</u>

**NOTE H – CHANGES IN LONG-TERM LIABILITITES**

Long-term liability activities for the year ended June 30, 2008 were as follows

<u>Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>One Year</u>
\$ 38,167	\$ 10,708	\$ 48,875	-
<u>10,698</u>	<u>(4,414)</u>	<u>6,284</u>	<u>4,669</u>
<u>\$ 48,865</u>	<u>\$ 6,294</u>	<u>\$ 55,159</u>	<u>\$ 4,669</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</u> <u>Activity</u>
Office Copier	\$ 21,323
Less: Accumulated Depreciation	<u>(15,637)</u>
	<u>\$ 5,686</u>

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE, 30, 2008**

**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, 2008:

<u>Year Ending June 30,</u>	<u>Office Copier</u>
2009	\$ 4,903
2010	1,635
	<u>6,538</u>
Less Amount Representing Interest	<u>254</u>
Present Value of Remaining Payments	<u>\$ 6,284</u>

**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 employers. 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, 2008**

**NOTE I – EMPLOYEE RETIREMENT PLAN – (Continued)**

**Annual Pension Cost**

For fiscal year 2008, the Commission's annual pension cost of \$45,345 for PERS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the June 30, 2006 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, 2008 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>
6/30/2004	\$ 39,705	100%	\$ 0
6/30/2005	\$ 52,726	100%	\$ 0
6/30/2006	\$ 43,995	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>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(2)-(1) Unfunded AAL (UAAL)</u>	<u>(1)/(2) Funded Ratio</u>	<u>(3) Covered Payroll</u>	<u>{{(2)-(1)/(3)} UAAL as of % of Covered Payroll</u>
6/30/2004	\$ 814,408	\$ 908,774	\$ 94,366	89.6%	\$ 246,112	38.3%
6/30/2005	\$ 1,310,119	\$ 1,463,336	\$ 153,217	89.5%	\$ 376,374	40.7%
6/30/2006	\$ 1,516,462	\$ 1,675,987	\$ 159,525	90.5%	\$ 425,872	37.5%

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE, 30, 2008**

**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, 2008 is reserved and designated for the following purposes:

Reserved for Encumbrances:			
Children's Health Initiative	\$	521,233	
Health Advocacy/Health Literacy		215,899	
Special Needs Mental Health		438,044	
School Readiness Expansion		471,457	
Canal School Readiness		646,667	
Marin CARES		112,570	
Marin Values and Invests in Children		288,033	
Evaluation/Data		132,240	
Salary Liability		470,876	
Lease Liability		122,811	
Leave & Retirement Liability		148,155	
Other		<u>30,600</u>	\$ 3,598,585
Reserved for Prepaid Costs			<u>1,384</u>
Total Reserved for Encumbrances and Prepaid Costs			<u>\$ 3,599,969</u>
Unreserved Fund Balance			
Designated for Local Initiatives & Program Sustainability			<u>\$ 3,917,462</u>

Fund Deficits – The operating programs of the Commission had fund deficits for the fiscal year ended June 30, 2008. The fund deficit's were budgeted. The difference was covered by fiscal year 06/07 encumbrances and cash on hand.

**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.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE, 30, 2008**

**NOTE L – COMMITMENTS**

During the fiscal year ended June 30, 2008, the Commission committed to \$3,487,955 in project expenses. As of June 30, 2008, \$387,936 in commitments remains outstanding and will continue to the Commission's 08-09 fiscal year. The Commission's total commitments as of June 30, 2008 consisted of contract obligations for local initiatives & evaluations in addition to certain payroll obligations and future minimum lease payments on rental agreements. Future commitments are as follows:

<u>June 30,</u>	<u>Contractual</u> <u>Obligations</u>	<u>Payroll</u> <u>Obligations</u>	<u>Leased</u> <u>Facility</u>	<u>Total</u> <u>Commitments</u>
2009	\$ 2,737,316	\$ 619,031	\$ 98,033	\$ 3,454,380
2010	119,426	-	24,778	144,204
Total	<u>\$ 2,856,742</u>	<u>\$ 619,031</u>	<u>\$ 122,811</u>	<u>\$ 3,598,584</u>

Total rent expense for the year ended June 30, 2008 was \$92,236.

**NOTE M – RELATED PARTY TRANSACTIONS**

As briefly described in Note A, the board membership includes members of the County and local community organizations which serve children in Marin County. At times programs funded through the Commission may be operated by organizations that are represented by members of the Commission's board. Those board members abstain from voting on issues involving their respective organizations. For the year ended June 30, 2008, the following related organizations received funding through the Commission:

<u>Organization</u>	<u>Related Party</u> <u>Expenditure</u>	<u>Amounts Payable</u> <u>at June 30, 2008</u>
Marin Child Care Council	\$ 15,000	\$ 15,000
Marin County-Dept. of Health & Human Services	<u>322,995</u>	<u>345,257</u>
Total	<u>\$ 337,995</u>	<u>\$ 360,257</u>

**NOTE N – CONTINGENCY**

Proposition 10 – California Children and Families First Initiative requires the fulfillment of certain conditions as set forth in the instruments of law. Failure to fulfill the conditions could result in the return of the funds. The Commission deems this contingency remote since by adopting Ordinance 3288, the Board of Supervisors has accommodated the objectives of the Commission to the provisions of the law. The Commission's management is of the opinion that the organization has complied with the terms of the Ordinance and the law.

**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, 2008**

	<b>ALL FUNDS</b>			
	<b>Budgeted Amounts *</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Tax Revenue	\$ 2,326,152	\$ 2,326,152	\$ 2,245,433	\$ (80,719)
State Program Match	316,369	316,369	316,369	-
SMIF State Investment Funds	14,000	-	12,029	12,029
MAA Revenue	-	-	26,170	26,170
Interest income	46,000	46,000	394,602	348,602
Investment income	-	-	32,599	32,599
Other income	65,000	65,000	2,610	(62,390)
Total Revenues	<u>2,767,521</u>	<u>2,753,521</u>	<u>3,029,812</u>	<u>276,291</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Salaries and employee benefits	536,741	536,741	523,378	13,363
Special Projects	3,265,220	3,265,220	2,564,673	700,547
Consultants Services	149,200	149,200	125,815	23,385
Travel & Conferences	18,290	18,290	7,562	10,728
Meetings	8,500	8,500	10,322	(1,822)
Supplies	7,700	7,700	5,229	2,471
Equipment	3,000	3,000	-	3,000
Postage and Printing	13,500	13,500	8,304	5,196
Telephone	6,100	6,100	6,126	(26)
Insurance	8,950	8,950	8,159	791
Rent & Occupancy	97,394	97,394	92,236	5,158
Equipment Rental & Maintenance	12,700	12,700	8,994	3,706
Investment Expense	-	-	25,906	(25,906)
Public Education & Communication	63,000	63,000	38,672	24,328
Other	8,000	8,000	55,855	(47,855)
	<u>4,198,295</u>	<u>4,198,295</u>	<u>3,481,231</u>	<u>717,064</u>
Revenues Over/(Under)				
Expenditures:	<u>(1,430,774)</u>	<u>(1,444,774)</u>	<u>(451,419)</u>	<u>(993,355)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(100)	100
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>100</u>
<b>Net Change in Fund Balances</b>	<b>\$ <u>(1,430,774)</u></b>	<b>\$ <u>(1,444,774)</u></b>	<b>(451,519)</b>	<b>\$ <u>(993,455)</u></b>
<b>Fund Balances:</b>				
Beginning of Year			<u>7,968,750</u>	
End of Year			<u>\$ 7,517,231</u>	

- \* The budget of the Commission is adopted as an organization-wide budget.
- \* The Investment Strategy Fund is not budgeted.
- \* The excess of actual expenditures over budget was accounted for in the adopted budget as fiscal year 06/07 encumbrances and cash on hand.

**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, 2008**

	<u>Investment Strategy</u>	<u>Projects Combined</u>	<u>Total All Funds</u>
<b>REVENUES</b>			
Tax Revenue	\$ -	\$ 2,076,033	\$ 2,076,033
State Program Match	-	316,369	316,369
SMIF State Investment Funds	-	11,060	11,060
MAA Revenue	-	26,170	26,170
Interest income	288,555	-	288,555
Realized Gain/(Loss) on Investment	6,254	-	6,254
Unrealized Gain/(Loss) on Investments	26,345	-	26,345
Other income	-	-	-
Total Revenues	<u>321,154</u>	<u>2,429,632</u>	<u>2,750,786</u>
<b>EXPENDITURES</b>			
General Government:			
Salaries and employee benefits	-	382,271	382,271
Special Projects	-	2,564,673	2,564,673
Consultants & Contract Services:			
Audit	-	-	-
Strategic Plan Research	-	-	-
Evaluation and Data	-	86,361	86,361
Other	-	16,072	16,072
Travel & Conferences	-	2,306	2,306
Meetings	-	4,286	4,286
Supplies	-	3,427	3,427
Equipment	-	-	-
Postage and Printing	-	4,731	4,731
Telephone	-	5,796	5,796
Insurance	-	3,951	3,951
Rent & Occupancy	-	87,624	87,624
Equipment Rental & Maintenance	-	6,819	6,819
Investment Expense	25,906	-	25,906
Public Education & Communication	-	38,672	38,672
Other	-	140	140
Total Expenditures	<u>25,906</u>	<u>3,207,129</u>	<u>3,233,035</u>
<b>Excess of Revenues Over / (Under) Expenditures</b>	<u>295,248</u>	<u>(777,497)</u>	<u>(482,249)</u>
<b>Other Financing Sources/(Uses)- Transfers In / (Out) Other Funds</b>	-	-	-
<b>Excess of Revenues and Other Sources Over/(Under) Expenditures and Other Uses</b>	<u>295,248</u>	<u>(777,497)</u>	<u>(482,249)</u>
<b>Fund Balance, beginning of year</b>	-	3,789,920	3,789,920
<b>Fund Balance, end of year</b>	<u>\$ 295,248</u>	<u>\$ 3,012,423</u>	<u>\$ 3,307,671</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, 2008**

	Protecting Children's Health	Ready for School	Canal School Readiness	Marin Values Children	Evaluation	Subtotal
<b>REVENUES</b>						
Tax Revenue	\$ 855,039	\$ 403,071	\$ 278,567	\$ 404,417	\$ 134,939	\$ 2,076,033
State Program Match	-	130,000	186,369	-	-	316,369
SMIF State Investment Funds	4,634	1,879	1,649	2,128	770	11,080
MAA Revenue	26,170	-	-	-	-	26,170
Interest income	-	-	-	-	-	-
Realized Gain/(Loss) on Investment	-	-	-	-	-	-
Unrealized Gain/(Loss) on Investments	-	-	-	-	-	-
Other income	-	-	-	-	-	-
<b>Total Revenues</b>	<b>885,843</b>	<b>534,950</b>	<b>466,585</b>	<b>406,545</b>	<b>135,709</b>	<b>2,429,632</b>
<b>EXPENDITURES</b>						
General Government:						
Salaries and employee benefits	130,914	88,117	32,814	104,436	25,990	382,271
Special Projects	995,382	747,555	482,265	293,471	46,000	2,564,673
Consultants & Contract Services:						
Audit	-	-	-	-	-	-
Strategic Plan Research	-	-	-	-	-	-
Evaluation and Data	-	-	-	-	86,361	86,361
Other	-	250	-	5,122	10,700	16,072
Travel & Conferences	1,141	901	5	259	-	2,306
Meetings	604	1,373	1,034	1,251	24	4,286
Supplies	753	382	222	1,226	844	3,427
Equipment	-	-	-	-	-	-
Postage and Printing	1,079	314	235	3,025	78	4,731
Telephone	1,132	1,221	923	1,214	306	5,796
Insurance	1,455	832	624	832	208	3,951
Rent & Occupancy	32,283	18,447	13,835	18,447	4,612	87,624
Equipment Rental & Maintenance	2,584	1,310	946	1,445	534	6,819
Investment Expense	-	-	-	-	-	-
Public Education & Communication	11,000	9,500	-	18,172	-	38,672
Other	-	140	-	-	-	140
<b>Total Expenditures</b>	<b>1,179,327</b>	<b>870,342</b>	<b>532,903</b>	<b>448,900</b>	<b>175,657</b>	<b>3,207,129</b>
<b>Excess of Revenues Over / (Under) Expenditures</b>	<b>(293,484)</b>	<b>(335,392)</b>	<b>(66,318)</b>	<b>(42,355)</b>	<b>(39,948)</b>	<b>(777,497)</b>
<b>Other Financing Sources/(Uses)- Transfers In / (Out) Other Funds</b>						
<b>Excess of Revenues and Other Sources Over/(Under) Expenditures and Other Uses</b>	<b>(293,484)</b>	<b>(335,392)</b>	<b>(66,318)</b>	<b>(42,355)</b>	<b>(39,948)</b>	<b>(777,497)</b>
<b>Fund Balance, beginning of year</b>	<b>2,160,992</b>	<b>577,888</b>	<b>508,321</b>	<b>453,219</b>	<b>89,500</b>	<b>3,789,920</b>
<b>Fund Balance, end of year</b>	<b>\$ 1,867,508</b>	<b>\$ 242,496</b>	<b>\$ 442,003</b>	<b>\$ 410,864</b>	<b>\$ 49,552</b>	<b>\$ 3,012,423</b>

## OTHER INFORMATION

**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**

October 7, 2008

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, 2008, and have issued our report thereon dated October 7, 2008. 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 financials 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 Financial 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 7, 2008

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, 2008, and have issued our report thereon dated October 7, 2008.

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	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

## Independent Auditor's Report on State Compliance

Based on our audit we found that, for the items tested, the Commission complied with the laws and regulations of the items referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Commission had not complied with the laws and regulations of the 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.

  
Certified Public Accountants, Inc.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**(dba FIRST 5 MARIN)**  
**COMMISSION MEMBERSHIP**  
**YEAR ENDED JUNE 30, 2008**

**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 <sup>th</sup> District of Marin County
John Leonard	Marin Child Care Community
Charlene Reid	Director of Social Services
Frima Stewart	Director, Division of Public Health
Dr. Alicia Suski	Pediatrics, Marin Community Clinic