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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2010

MARIN CHILDREN AND FAMILIES COMMISSION
JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Marin Children and Families Commission
San Rafael, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marin Children and Families Commission (the Commission), a component unit of the County of Marin as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the budgetary comparison information on page 27 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 an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The combining statement of revenues, expenditures and changes in fund balances non-major governmental funds and the combining statement of revenues, expenditures and changes in fund balances non-major special revenue funds-projects are presented for purposes of additional analysis and are not a required part of the basic financial statements. These 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.

Patricia Associates

Oakland, California

October 14, 2010

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2010**

This section of Marin Children and Families Commission (the Commission)'s annual financial report presents management's discussion and analysis of the Commission's financial performance during the year ended in June 30, 2010. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission received \$1,903,405 in tax revenues compared to \$2,069,369 received in the prior fiscal year, a decrease of \$165,964 or 8%.
- The Commission had expenses totaling \$3,089,426 for the fiscal year ended June 30, 2010, which is a decrease of \$504,950, or 14% compared to \$3,594,376 for the fiscal year ended June 30, 2009.
- The Commission's total assets decreased from \$7,551,676 as of June 30, 2009 to \$6,380,843 as of June 30, 2010 by \$1,170,833, or 16%.
- The Commission's total liabilities decreased from \$876,842 as of June 30, 2009 to \$483,902 as of June 30, 2010 by \$392,940 or 45%.

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:

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.

MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2010

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. The Commission 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.

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.

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2010**

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 \$5,896,941 at the end of the year.

	<u>NET ASSETS</u>		
	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Assets:			
Current and other assets	\$ 6,359,168	\$ 7,524,582	\$ (15%)
Capital assets, net	21,675	27,094	(20%)
Total assets	<u>6,380,843</u>	<u>7,551,676</u>	<u>(16%)</u>
Liabilities:			
Capital lease payable	22,061	27,094	(19%)
Other liabilities	461,841	849,748	(46%)
Total liabilities	<u>483,902</u>	<u>876,842</u>	<u>(45%)</u>
Net Assets:			
Restricted	5,875,266	6,647,740	(12%)
Invested in capital assets	21,675	27,094	(20%)
Total net assets	<u>5,896,941</u>	<u>6,674,834</u>	<u>(12%)</u>
Total liabilities and net assets	<u>\$ 6,380,843</u>	<u>\$ 7,551,676</u>	<u>\$ (16%)</u>

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2010**

The Commission's total assets of \$6,380,843 as of June 30, 2010 decreased by \$1,170,833 or 16% compared with the prior year. The change in current and other assets of \$1,165,414 or 15% is primarily due to decrease in cash due to payment on liabilities made at the end of the fiscal year.

Capital lease payable decreased by 19% primarily due to the payment of the Commission's capital lease obligation. Other liabilities decreased by 46% mainly due to a decrease in contracts payable 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, 2010 with 2009.

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Revenues:			
Program revenue			
Tax revenue	\$ 1,903,405	\$ 2,069,369	(8%)
School Readiness	186,369	186,369	
State CARES Matching Funds	50,324	250,270	(80%)
MAA revenue	62,334	56,091	11%
	<u>2,202,432</u>	<u>2,562,099</u>	<u>(14%)</u>
General revenue			
Interest and investment income	101,954	229,553	(56%)
Other income	7,147	1,700	320%
	<u>109,101</u>	<u>231,253</u>	<u>(53%)</u>
Total revenues	<u>2,311,533</u>	<u>2,793,352</u>	<u>(17%)</u>
Expenses:			
Provider grants	2,227,867	2,700,335	(17%)
Salaries and benefits	509,907	560,111	(9%)
Operating services	180,830	187,431	(4%)
Professional services	163,889	129,218	27%
Depreciation	5,419	5,686	(5%)
Other	1,514	11,595	(87%)
Total expenses	<u>3,089,426</u>	<u>3,594,376</u>	<u>(14%)</u>
Changes in net assets:	(777,893)	(801,024)	(3%)
Net assets – beginning	<u>6,674,834</u>	<u>7,475,858</u>	<u>(11%)</u>
Net assets – ending	<u>\$ 5,896,941</u>	<u>\$ 6,674,834</u>	<u>(12%)</u>

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2010**

Revenues

The Commission received total revenues of \$2,311,533 during fiscal year ended June 30, 2010, which was a decrease of \$481,819, or 17% compared with the prior year's total revenues of \$2,793,352. The decrease in the Commission's revenue is primarily due to the following explanations:

Tobacco Tax Revenues

Unrestricted tobacco tax revenue decreased from \$2,069,369 in FY 2008-2009 to \$1,903,405 in FY 2009-2010, a decrease of \$165,964, or 8% (primarily due to reduced tobacco product sales and increased administrative fees charged by the Board of Equalization in FY 2009-2010). The restricted State Commission Match Funds received for Canal School Readiness Initiative were the same as in FY 2008-2009 and the MarinCARES Program total revenues for FY 2009-2010 decreased by \$199,946. Explanations for the use of these funds follow:

- Restricted State Commission Match for Canal School Readiness Program

Restricted State Commission matching fund for the State School Readiness (SR) Program received in FY 2009-2010 were \$186,369, and were restricted to Canal School Readiness Initiative contractual program expenditures.

- Restricted State Commission Matching for MarinCARES

In FY 2009-2010, the Ready for School Project, Comprehensive Approaches to Raising Education Standards (CARES) received \$50,324 from the State Commission matching grant program. These funds are the final installment of a four-year State Commission matching grant for CARES. They are for the last six months (July 1 through December 31, 2009) of this grant. Bay Area Community Resources was the fiscal agent for the project and managed all of the project's funding, including the \$159,600 in local matching funds and the \$50,324 in State Match funds. The Commission's contribution to the local match was \$37,500 for the six months of the contract.

Interest and Investment Income

Interest and income earned on investment and operating accounts decreased in FY 2009-2010. The decrease is due to the following:

- The Local Agency Investment Fund (LAIF) account earned \$3,181 in interest in FY 2009-2010. This was a decrease of \$19,415 or 610% compared to \$22,596 earned in the prior year.
- The Bank of the West investment accounts earned \$131,395 in interest and had realized gain, net and unrealized loss, net of \$1,126 and \$34,857, respectively, in FY 2009-2010 for a net increase of \$97,664. This was a decrease of \$104,414 or 52% compared to \$202,078 earned in the prior year.
- In addition the Commission earned interest of \$1,109 during the FY 2009-2010 on funds held in deposit by the County pool. This is a decrease of \$3,770 or 77% from the prior year.

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2010**

Expenses

The Commission 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 \$3,089,426 in FY 2009-2010 compared to \$3,594,376 in the previous fiscal year. This is an overall decrease in expenses of \$504,950 or 14%.

Initiative/Program Grants

The Initiative/Program grants actual expenses decreased primarily due to a decrease in the number of the Commission's program contracts and agencies not spending all contract funds encumbered in FY 2009-2010.

Salaries and Benefits

Salary and benefits expense decreased by 9% in FY 2009-2010. The percentage that the Commission is required to contribute to the CalPERS retirement plan decreased. Further, the Commission experienced staffing changes which additionally decreased salary and benefits allowance.

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 2009-2010.

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 Executive Director at 1101 5th Avenue, San Rafael, CA 94901.

**MARIN CHILDREN AND FAMILIES COMMISSION
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Deposit in County Pool (Note 3)	\$ 146,292
Deposits and investments with fiscal agents (Note 3)	5,762,443
Accounts receivable (Note 4)	433,896
Prepaid expenses	<u>8,537</u>
Total current assets	<u>6,351,168</u>
Noncurrent assets:	
Deposit	8,000
Capital assets (Note 5):	
Office equipment, net of depreciation	<u>21,675</u>
Total capital assets	<u>21,675</u>
Total noncurrent assets	<u>29,675</u>
Total assets	<u>\$ 6,380,843</u>
LIABILITIES:	
Current liabilities:	
Capital lease payable within one year (Note 7)	6,067
Contracts payable (Note 6)	408,178
Contracts payable - related parties (Note 6)	<u>9,747</u>
Total current liabilities	<u>423,992</u>
Noncurrent liabilities:	
Capital lease payable (Note 7)	15,994
Compensated absences	<u>43,916</u>
Total noncurrent liabilities	<u>59,910</u>
Total liabilities	<u>483,902</u>
Net Assets	
Invested in capital assets	21,675
Restricted	<u>5,875,266</u>
Total net assets	<u>5,896,941</u>
Total liabilities and net assets	<u>\$ 6,380,843</u>

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Program Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expenses)/ Revenue and Changes in Net Assets</u>
Primary government:			
Governmental activities:			
Protecting Children's Health	\$ 1,050,061	777,745	(272,316)
Ready for School	745,072	507,026	(238,046)
Canal School Readiness	539,698	364,810	(174,888)
Marin Values Children	419,343	304,620	(114,723)
Evaluation	158,177	97,611	(60,566)
General administration	<u>177,075</u>	<u>150,620</u>	<u>(26,455)</u>
Total primary government	<u>\$ 3,089,426</u>	<u>\$ 2,202,432</u>	<u>(886,994)</u>
General revenues:			
Interest and investment income			135,685
Realized gain on investment, net			1,126
Unrealized loss on investment, net			(34,857)
Other income			<u>7,147</u>
Total general revenues			<u>109,101</u>
Change in net assets			(777,893)
Net assets - beginning			<u>6,674,834</u>
Net assets - ending			<u>\$ 5,896,941</u>

The accompanying notes are an integral part of these financial statements

**MARIN CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Major Fund General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Deposits and investments	\$ 146,292	\$ 5,762,443	\$ 5,908,735
Accounts receivable		433,896	433,896
Prepaid expenses		8,537	8,537
Due (to)/from other funds	1,200,000	(1,200,000)	
Total assets	\$ 1,346,292	\$ 5,004,876	\$ 6,351,168
<u>Liabilities and Fund Balances:</u>			
Liabilities:			
Contracts payable	\$ 9,747	\$ 408,178	\$ 408,178
Contracts payable - related parties	9,747	408,178	9,747
Total liabilities	9,747	408,178	417,925
<u>Fund balances:</u>			
Nonspendable:			
Not in spendable form	8,537		8,537
Committed:			
Program contracts allocations	1,328,008	1,866,282	3,194,290
Restricted:			
Grants		200,000	200,000
Assigned:			
Local initiatives and program sustainability		2,530,416	2,530,416
Total fund balances	1,336,545	4,596,698	5,933,243
Total liabilities and fund balances	\$ 1,346,292	\$ 5,004,876	\$ 6,351,168

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:			
Tax revenue	\$ 150,514	\$ 1,751,579	\$ 1,902,093
State Program Match		236,693	236,693
SMIF State Investment Funds	106	1,206	1,312
MAA Revenue		62,334	62,334
Interest and investment income		135,685	135,685
Realized gain on investment, net		1,126	1,126
Unrealized loss on investment, net		(34,857)	(34,857)
Other income		7,147	7,147
	<u>150,620</u>	<u>2,160,913</u>	<u>2,311,533</u>
Total revenues			
Expenditures:			
Current:			
Salaries and employee benefits	91,997	400,772	492,769
Special projects		2,227,867	2,227,867
Consultants and contract services:			
Audit and admin services	15,030		15,030
Evaluation and data		125,770	125,770
Other	18,789	4,300	23,089
Travel and conferences	4,342	2,239	6,581
Meetings	3,852	2,705	6,557
Supplies	4,924	5,537	10,461
Postage and printing	9,114	2,797	11,911
Telephone	287	5,188	5,475
Insurance	4,208	3,955	8,163
Rent and occupancy	4,279	81,198	85,477
Capital lease	5,033		5,033
Equipment rental and maintenance	1,330		1,330
Public education and communication		44,875	44,875
Other	1,514		1,514
	<u>164,699</u>	<u>2,907,203</u>	<u>3,071,902</u>
Total expenditures			
Deficiency of revenue over expenditures	(14,079)	(746,290)	(760,369)
Fund balance, beginning of year	<u>4,136,371</u>	<u>2,557,241</u>	<u>6,693,612</u>
Fund balances, end of year	<u>\$ 4,122,292</u>	<u>\$ 1,810,951</u>	<u>\$ 5,933,243</u>

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
RECONCILIATIONS BETWEEN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND THE FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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

	<u>Total Governmental Funds</u>
Fund balances - total governmental funds	\$ 5,933,243
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.	21,675
Deposit used in governmental activities is not current financial resources and therefore is 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>(65,977)</u>
Net assets of governmental activities	\$ <u><u>5,896,941</u></u>

RECONCILIATION OF THE STATEMENT OF REVENUES, 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	\$ (760,369)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental 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.	(5,419)
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 of capital lease fall into this category.	<u>(12,105)</u>
Changes in net assets of governmental activities	\$ <u><u>(77,893)</u></u>

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: 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 Department of Health and Human Services, one member from the County's Board of Supervisors, the remaining members are selected from one or more of the following categories: tobacco control, recipients of project services, educators specializing in early childhood development, representatives of local resource and 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 from local school districts, and representatives from local medical, pediatric, or obstetric associations or societies.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the 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.

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 and 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.

Budget 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.

Measure 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.

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.

Investments: The Commission measures and reports all its financial assets and liabilities on a fair value basis, and classifies and discloses those financial assets and liabilities in one of the following three categories to enable readers of the financial statements to assess the inputs used to develop those measurement:

Level 1 Quoted market prices unadjusted in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

The financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Commission uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers nonperformance risk in its assessment of fair value.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Commission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. See Note 3.

Credit Risk

As further discussed in Note 4, 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, 2010, the Commission had one major revenue source, the California Children and Families Commission, which accounted for approximately 95% 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, 2010 is \$43,916.

<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.

Employee Retirement Plan

The Commission maintains 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.

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

The Commission has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2010. The objectives of the Statement are to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Following is a description of the Commission's fund balance classifications:

- **Nonspendable** – Includes amounts that cannot be spent because they are either (a) not in spendable form (inventories, prepaid amounts, etc.) or (b) legally or contractually required to be maintained intact (such as the corpus of principal of a permanent fund).
- **Restricted** – Includes amounts with constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The Commission identifies executed contracts, First 5 California special initiative unspent funds and required future funding matches as restricted.

- **Committed** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Commission Board. Those committed amounts cannot be used for any other purpose unless the Commission Board removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts. The Commission establishes grants allocation amounts for specific program and/or recipient by formal Commission Board vote.
- **Assigned** – Includes amounts the Commission intends to be used for specific purposes that are neither restricted nor committed. The Commission identifies these amounts by adopting an annual budget and strategic plan. Authority is given to the Commission by Ordinance of the Marin County Board of Supervisors. The Commission has the following assigned fund balances: Community Program, Evaluation, Program Sustainability and Capacity Building and Long-Term Program Sustainability.

The Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and other funds are available, then the Commission applies amounts to the committed fund balance followed by assigned and then unassigned amounts.

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.

NOTE 3: DEPOSITS AND INVESTMENTS

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

Deposit in County Pool	\$ 146,292
Deposits and investments with Fiscal Agents	<u>5,762,443</u>
Total deposits and investments	<u>\$ 5,908,735</u>

Deposits and investments with fiscal agents consisted of the following at June 30, 2010:

Money Market Funds	\$ 1,095,235
Federal Agency Securities	4,570,397
Local Agency Investment Fund (LAIF)	<u>96,811</u>
Total deposits and investments with Fiscal Agents	<u>\$ 5,762,443</u>

The Commission has a deposit and investment policies including policies for exposure to credit risk (including custodial credit risk and concentration of credit risk) and interest rate risk. The Commission is authorized under California Government Code to make direct investments in the following:

<u>Authorized investment type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage 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 acceptance	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
LAIIF	N/A	None	None
Joint powers authority pools (other investment pools)	N/A	None	None

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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 a state or local governmental unit by pledging securities in an undivided collateral pool held by a depository regulated under 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 government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured 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:		
LAIF	\$ 96,811	2%
Bank of the West: Money Market Funds	1,095,235	19%
American Express	231,755	4%
Burlington Res Fin Co	269,477	5%
Caterpillar Corp	257,099	4%
Federal Home Loan Banks	2,823,923	49%
Federal Farm Credit Banks	255,876	4%
Goldman Sachs Group	264,245	5%
Pepsi Americas Inc	261,381	5%
Wells Fargo Co	206,641	3%
	<u>\$ 5,762,443</u>	100%

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 its LAIF funds are not materially different, as such no adjustment has been reported on these financial statements.

Interest Rate Risk

Interest rate risk is the risk that 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, 2010 the Commission had the following investments:

	<u>Interest Rates (%)</u>	<u>Maturities</u>	<u>Carrying Value</u>
LAIF	0.56	On demand	\$ 96,811
Investments with Fiscal Agents:			
Money Market Funds	—	On demand	1,095,235
American Express	7.3	8/13	231,755
Burlington Res Fin Co	6.5	12/11	269,477
Caterpillar Corp	4.75	04/11	257,099
Federal Home Loan Banks	2.125 – 4.75	8/10 – 2/13	2,823,923
Federal Farm Credit Banks	4.75	08/10	255,876
Goldman Sachs Group	6.875	01/11	264,245
Pepsi Americas Inc	5.625	05/11	261,381
Wells Fargo Co	3.75	10/14	206,641
Total investments			<u>\$ 5,762,443</u>

The types of investments made during the year were substantially the same as those held as of June 30, 2009. 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, 2010.

	Interest and Dividends	Realized Gain on Investment	Unrealized Loss on Investment	Total Return on Investments
LAIF	\$ 134	\$	\$	\$ 134
Deposits and investments	<u>135,551</u>	<u>1,126</u>	<u>(34,857)</u>	<u>101,820</u>
Total investment income	<u>\$ 135,685</u>	<u>\$ 1,126</u>	<u>\$ (34,857)</u>	<u>\$ 101,954</u>

Fair Value Measurements

Information related to the Commission's investments measured at fair value on a recurring basis at June 30, 2010 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LAIF	\$ 96,811	\$ 96,811	\$	\$
Investments with Fiscal Agents	<u>5,665,632</u>	<u>5,665,632</u>	<u></u>	<u></u>
Total assets	<u>\$ 5,762,443</u>	<u>\$ 5,762,443</u>	<u>\$</u>	<u>\$</u>

Fair values for investments, are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2010:

Due from other governments:	
First 5 California – Prop 10 revenue	\$ 334,692
Surplus Money Investment Fund Allocation	1,310
Medical Assistance Administration	<u>97,894</u>
	<u>\$ 433,896</u>

NOTE 5: CAPITAL ASSETS

The capital asset balance at June 30, 2010 consisted of the following activity:

	<u>Balance July 1, 2009</u>	<u>Increase (Decrease)</u>	<u>Balance June 30, 2010</u>
Office equipment	\$ 27,094		\$ 27,094
Total capital assets	<u>27,094</u>		<u>27,094</u>
Less: accumulated depreciation		<u>5,419</u>	<u>5,419</u>
Total capital assets, net	<u>\$ 27,094</u>	<u>\$ 5,419</u>	<u>\$ 21,675</u>

NOTE 6: CONTRACTS PAYABLE

At June 30, 2010, contracts payable consisted of the following:

Easter Seals of No. CA/Special Needs Mental Health (SNMH)	\$ 57,862
Jewish Children & Families of Marin/SNMH	48,000
San Rafael School District/CSRI - Bahia Vista	34,132
BACR/Marin City School Readiness	31,790
San Geronimo Valley Community Center/School Readiness	30,501
BACR/Shoreline School Readiness	26,211
BACR/CSRI - Kinder Advocates	24,992
City of San Rafael/CSRI - Pickle weed	22,945
Marin Head Start/CSRI Family Coordinator	20,323
Parent Services Project/CSRI - Mentores	20,088
Other contracts below \$20,000	<u>101,081</u>
	<u>\$ 417,925</u>

NOTE 7: CAPITAL LEASE OBLIGATION

The Commission leases office equipment, principally data processing and reproduction. These leases are accounted for as capital leases and are included in the Governmental-type funds.

The capital leases are payable in monthly installments including principal and interest. The interest rate applicable to the capital leases is 5.63%. The capital leases will expire in 2014. 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, 2010:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,743	\$ 324	\$ 6,067
2012	5,743	324	6,067
2013	4,950	307	5,257
2014	<u>4,417</u>	<u>253</u>	<u>4,670</u>
	<u>\$ 20,853</u>	<u>\$ 1,208</u>	<u>\$ 22,061</u>

NOTE 8: 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, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their annual covered salary. The Commission is required to contribute an 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 9.456% for employers. The contribution requirements are established by State statute and the contribution rates of plan members and the Commission are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2010, the Commission's annual pension cost of \$38,321 for PERS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the June 30, 2008 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. 3.25% to 14.45% projected annual salary increases depending on age, service, and type of employment,
3. 3.00% inflation rate cost-of-living adjustment, and
4. 3.25% payroll growth

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).

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 43,995	100%	\$ 0
6/30/07	\$ 44,882	100%	\$ 0
6/30/08	\$ 38,321	100%	\$ 0

NOTE 9: 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, 2010 is reserved and designated for the following purposes:

Reserved for encumbrances:			
Canal Neighborhood School Readiness Initiative	\$	475,806	
School Readiness Expansion Projects		505,000	
Children's Health Initiative		300,000	
Community Enhancement Initiative		131,066	
Special Needs/Mental Health Initiative		380,912	
Marin Values Children		212,858	
Consultants: Audit/Evaluation/Data		152,356	
Leases Liability		411,018	
Salary Liability		480,752	
Compensated Absences Liability		43,916	
PERS Retirement Liability		49,126	
Other		51,480	\$ 3,194,290
			<hr/>
Not in spendable form			8,537
Committed by Commission for small grants			200,000
Assigned:			
Designated for Local Initiatives & Program Sustainability			<u>2,530,416</u>
			<hr/>
			\$ <u>5,933,243</u>

NOTE 10: 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 covered 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 11: COMMITMENTS

During the fiscal year ended June 30, 2010, the Commission committed to \$2,686,981 in project expenses. As of June 30, 2010, \$417,925 in commitments remains outstanding and will continue to the Commission's FY 10-11. The Commission's total commitments as of June 30, 2010 consisted of contract obligations for local initiatives and 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>Payroll</u>	<u>Leased</u>	<u>Total</u>
	<u>Obligations</u>	<u>Obligations</u>	<u>Facility</u>	<u>Commitments</u>
2011	\$ 2,686,981	\$ 524,668	\$ 84,870	\$ 3,296,519
2012			97,124	97,124
2013			100,037	100,037
2014			103,039	103,039
2015			25,948	25,948
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ <u>2,686,981</u>	\$ <u>524,668</u>	\$ <u>411,018</u>	\$ <u>3,622,667</u>

The Commission has a five-year operating lease for its office spaces located in San Rafael, California until September 2014. Total rent expense for the year ended June 30, 2010 was \$90,510 covering office and office equipment leases.

NOTE 12: RELATED PARTY TRANSACTIONS

As briefly described in Note 1, 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, 2010, the following related organizations received funding through the Commission.

<u>Organization</u>	<u>Related Party Expenditure</u>
Marin County – Dept. of Health & Human Services	\$ <u>270,000</u>
Total	\$ <u><u>270,000</u></u>

As of June 30, 2010, outstanding related party transaction account balance pertains to contracts payable amounting to \$9,747.

NOTE 13: CONTINGENCY

Proposition 10 – California Children and Families First Initiative requires the fulfillment of certain conditions as set forth in 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.

NOTE 14: PROGRAM EVALUATION COSTS

The Commission spent \$157,906 on program evaluation during year ended June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

**MARIN CHILDREN AND FAMILIES COMMISSION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	All Funds			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Tax revenue	\$ 2,202,267	\$ 2,202,267	\$ 1,902,093	\$ (300,174)
State Program Match	247,369	247,369	236,693	(10,676)
SMIF State Investment Funds			1,312	1,312
MAA revenue	60,000	60,000	62,334	2,334
Interest and investment income	23,000	23,000	135,685	112,685
Operating transfers in/out to/from the funds	1,149,072	1,149,072		(1,149,072)
Other, net			(26,584)	(26,584)
Total revenues	3,681,708	3,681,708	2,311,533	(1,370,175)
EXPENDITURES:				
Current:				
Salaries and employee benefits	541,375	541,375	492,769	48,606
Special projects	2,666,033	2,666,033	2,227,868	438,165
Consultants services	186,755	186,755	163,889	22,866
Travel and conferences	18,290	18,290	6,581	11,709
Meetings	7,000	7,000	6,557	443
Supplies	8,104	8,104	10,461	(2,357)
Equipment	1,200	1,200	2,673	(1,473)
Postage and printing	13,000	13,000	9,237	3,763
Telephone	5,840	5,840	5,476	364
Insurance	8,450	8,450	8,163	287
Rent and occupancy	98,123	98,123	85,476	12,647
Capital lease			5,033	(5,033)
Equipment repairs and maintenance	12,850	12,850	1,330	11,520
Public education and communication	53,000	53,000	44,875	8,125
Other	61,688	61,688	1,514	60,174
Total expenditures	3,681,708	3,681,708	3,071,902	609,806
Deficiency of revenues over expenditures	\$	\$	(760,369)	\$ (760,369)
			(760,369)	
			(5,419)	
			5,033	
			(17,138)	
			GAAP basis	
			\$ (777,893)	

SUPPLEMENTARY INFORMATION

MARIN CHILDREN AND FAMILIES COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Investment Strategy</u>	<u>Projects Combined</u>	<u>Total All Funds</u>
REVENUES			
Tax revenue	\$	\$ 1,751,579	\$ 1,751,579
State Program Match		236,693	236,693
SMIF State Investment Funds		1,206	1,206
MAA revenue		62,334	62,334
Interest and investment income	134,576	1,109	135,685
Realized loss on investment, net	1,126		1,126
Unrealized loss on investment, net	(34,857)		(34,857)
Other income		7,147	7,147
		<u>100,845</u>	<u>2,060,068</u>
Total revenues		<u>2,060,068</u>	<u>2,160,913</u>
EXPENDITURES			
General government:			
Salaries and employee benefits		400,772	400,772
Special projects		2,227,867	2,227,867
Consultants and contract services:			
Evaluation and data		125,770	125,770
Other		4,300	4,300
Travel and conferences		2,239	2,239
Meetings		2,705	2,705
Supplies		5,537	5,537
Postage and printing		2,797	2,797
Telephone		5,188	5,188
Insurance		3,955	3,955
Rent and occupancy		81,198	81,198
Public education and communication		44,875	44,875
		<u>2,907,203</u>	<u>2,907,203</u>
Total expenditures		<u>2,907,203</u>	<u>2,907,203</u>
Excess of revenues and other sources over/(under) expenditures and other uses	100,845	(847,135)	(746,290)
Fund balance, beginning of year		<u>499,027</u>	<u>2,058,214</u>
Fund balance, end of year	\$ <u>599,872</u>	\$ <u>1,211,079</u>	\$ <u>1,810,951</u>

MARIN CHILDREN AND FAMILIES COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR SPECIAL REVENUE FUNDS - PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010

	Protecting Children's Health	Ready for School	Canal School Readiness	Marin Values Children	Evaluation	Subtotal
REVENUES						
Tax revenue	\$ 714,906	\$ 456,497	\$ 178,261	\$ 304,388	\$ 97,527	\$ 1,751,579
State Program Match		50,324	186,369			236,693
SMIF State Investment Funds	505	205	180	232	84	1,206
MAA Revenue	62,334					62,334
Interest and investment income	1,109					1,109
Other income		147		7,000		7,147
	<u>778,854</u>	<u>507,173</u>	<u>364,810</u>	<u>311,620</u>	<u>97,611</u>	<u>2,060,068</u>
Total revenues						
EXPENDITURES						
General government:						
Salaries and employee benefits	145,723	87,247	33,651	107,137	27,014	400,772
Special projects	846,397	624,070	490,150	267,250		2,227,867
Consultants and contract services:						
Evaluation and data					125,770	125,770
Other				4,300		4,300
Travel and conferences	957	670	15	592	5	2,239
Meetings	492	1,535	261	362	55	2,705
Supplies	1,900	1,494	410	1,471	262	5,537
Postage and printing	312	178	134	2,128	45	2,797
Telephone	1,912	1,092	819	1,092	273	5,188
Insurance	1,457	833	624	833	208	3,955
Rent and occupancy	29,915	17,094	12,821	17,094	4,274	81,198
Public education and communication	19,100	9,775		16,000		44,875
	<u>1,048,165</u>	<u>743,988</u>	<u>538,885</u>	<u>418,259</u>	<u>157,906</u>	<u>2,907,203</u>
Total expenditures						
Deficiency of revenues over expenditures	(269,311)	(236,815)	(174,075)	(106,639)	(60,295)	(847,135)
Fund balance, beginning of year	<u>1,425,957</u>	<u>99,544</u>	<u>283,547</u>	<u>265,549</u>	<u>(16,381)</u>	<u>2,058,214</u>
Fund balance, end of year	<u>\$ 1,156,646</u>	<u>\$ (137,271)</u>	<u>\$ 109,472</u>	<u>\$ 158,910</u>	<u>\$ (76,676)</u>	<u>\$ 1,211,079</u>

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

Board of Commissioners
Marin Children and Families Commission
San Rafael, California

We have audited the 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, 2010, and have issued our report thereon dated October 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 Marin Children and Families Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marin Children and Families Commission's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 10-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

Marin Children and Families Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Marin Children and Families Commission's response and, accordingly, we express no opinion on it.

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

Palm & Associates
Oakland, California
October 14, 2010

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
 Marin Children and Families Commission
 San Rafael, California

We have audited the 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, 2010, and have issued our report thereon, dated October 14, 2010.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California Counties Participating in the First 5 Program*, issued by the State 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 misstatements. 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 the 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.

Marin Children and Families Commission's management is responsible for Marin Children and Families 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:

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

Based on our audit we found that, for the items tested, Marin Children and Families 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 Marin Children and Families Commission had not complied with the laws and regulations of the First 5 Program.

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

Patricia A. Adams
Oakland, California
October 14, 2010

**MARIN CHILDREN AND FAMILIES COMMISSION
COMMISSION MEMBERSHIP
AS OF JUNE 30, 2010**

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
Heather Ravani	Director of Social Services
Frima Stewart	Director, Division of Public Health
Dr. Alicia Suski	Pediatrics, Marin Community Clinic

**MARIN CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

State Compliance

Any audit findings disclosed that are required to be reported in accordance with the State of California's <i>Standards and Procedures for Audits of California Counties Participating in the First 5 Program</i> ?	No
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SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 10-1:

Criteria or Specific Requirement:

All financial information should be properly processed and adequately reviewed.

Condition:

At the inception of our audit, we noted the following audit issues:

- Transactions to reflect the accrual basis of accounting such as those related to capital assets, depreciation, capital leases, and compensated absences were not yet recorded in MIP, the Commission's new accounting system, as the related modules have yet to be implemented in the MIP system; and
- FY2009 audited balances and FY2010 beginning balances per MIP were unreconciled particularly with respect to the net asset balance.
- There was no adequate review by management of the Commission's financial statements.

**MARIN CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Cause:

- As the MIP system is new to the Finance Department in FY2010, the Finance Manager did not have adequate training on and understanding of the new system which resulted in some modules not being utilized.
- The Finance Manager erroneously used the FY2009 ending balances from its previous accounting system (SAP) instead of the FY2009 audited balances. The Finance Manager had to reverse those previously posted FY2010 beginning balances in MIP and re-enter the beginning balances based on the FY2009 audited balances financial statements.

Effect:

- The aforementioned factors caused delays in the preparation of the Commission's FY2010 audited financial statements. This can also cause any financial statements or information presented to the Commission to be misleading.

Recommendation:

- Management should fully utilize all the applicable reporting functionalities in the MIP system for efficient financial reporting processes. Where necessary and practicable, all staff using the MIP system should undergo trainings (whether formal or informal) to adequately understand the intricacies of the system and fully use the capabilities thereof.
- Management should perform adequate and regular review of the Commission's financial statements. This would facilitate timely investigation of any unusual balances or variances. The aforementioned unrecorded transactions and erroneous beginning balances could have been detected by management on a timely basis had management conducted an interim review of the Commission's financial statements during FY2010.

Views of responsible officials and planned corrective actions:

Management has taken steps to assure the proper use of all functions of the finance management system, including maintaining appropriate accruals and depreciation schedules. Further, the fiscal management structure of the Commission will change as of January 2011 in order to provide additional oversight.

A qualified accountant, familiar with our finance management system (SAGE/MIP) will be engaged to periodically review all entries into the system and to assist in the preparation of financial reports and balance sheets on a quarterly basis. The accountant will also be in charge of audit preparation.

**MARIN CHILDREN AND FAMILIES COMMISSION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2010**

Findings:

Status:

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 09-1:

As of FY2008-09, the Commission has been using Marin County's accounting system, SAP, for its financial reporting purposes. During our audit, we noted the following major audit issues:

- Unreconciled account balances;
- Asset accounts with credit balances;
- Liability accounts with debit balances;
- Transactions that have yet to be recorded in SAP;
and
- Unreconciled FY2008 audited numbers and FY2009 beginning balances per SAP.

Partially implemented. The Commission has, as of July 1, 2009, moved out of the County's system and is now using its own finance management system to maintain and monitor its financial activities. Refer to Finding 10-1.