Annual Financial Report
June 30, 2022

First 5 Marin Children and Families Commission

Independent Auditor's Report

To the Board of Commissioners
First 5 Marin Children and Families Commission
San Rafael, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the Marin County Children and Families Commission (Commission), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the First 5 Marin Children and Families Commission, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the First 5 Marin Children and Families Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Commission has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the First 5 Marin Children and Families Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the First 5 Marin Children and Families Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022 on our consideration of the First 5 Marin Children and Families Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the First 5 Marin Children and Families Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
October 25, 2022

This section of First 5 Marin Children and Families Commission's (Commission) annual financial report presents our discussion and analysis of the Commission's financial performance for the fiscal year that ended June 30, 2022. Please read it in conjunction with the Commission's financial statements, which immediately follow this section.

Financial Highlights

Government-wide Financial Position

As of June 30, 2022, the Commission's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $5,367,497 (net position), an increase of 1.4% from the previous year amount of $5,292,355. $5,372,103 of the net position is classified as "unrestricted," which is available to meet the Commission's ongoing obligations. The deficit "net investment is capital assets" of $(4,606) is the Commission's right-to-use lease asset offset by the lease liability amount, as calculated per GASB Statement No. 87, *Leases*. The deficit is temporary due to the timing of the amortization of the leased asset and a lease liability. The change in net position is attributed in part to a reduction of COVID 19 related supports and services compared to the previous year, as well as one expected summer bridge program not actually receiving funding because they were not able to open due to COVID.

Total Commission revenues for fiscal year 2021-22 are substantially from Marin County's portion of state tobacco tax revenue. Our total revenue, excluding investment income, on a full-accrual basis was $1,465,581 which is a decrease of $102,145, or 6.5%, from the prior year's amount of $1,567,726. The decrease is related to the decline in smoking, as projected.

Total expenses for fiscal year 2021-22 were $1,336,976, a decrease of $505,646, or 27.4%, from prior year expenses of $1,842,622. General and administrative expenses declined $3,965, or 4.8% because of a reduction of professional consulting service. Evaluation expenses increased $10,761, or 9.6% because some of the previous evaluation services were considered and categorized as programs and services. There was a decrease of expenses for programs and services of $512,442, or 31.1% because the Commission was focused on strategic planning and therefore, paused any new investments in programs and services, including COVID 19 supports and services and multiple in person Marin Communication Forums.

Governmental Funds

At the close of the current fiscal year, the Commission's governmental fund reported fund balance of $4,991,985, a decrease of $345,450, or 6.5%, in comparison with the prior year. Of this amount, $2,613,805, or 52.4%, is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unrestricted fund balance (the total of the committed and unassigned components of fund balance) for the general fund was $4,991,985, or approximately 244.3% of total general fund expenditures.

Overview of the Financial Statements

The Commission's financial report includes:

1. The basic financial statements, which include the *government-wide financial statements* and the *fund financial statements.*
2. Notes to the financial statements.
3. Required supplementary information.

Government-Wide Financial Statements

The *government-wide financial statement*s provide a broad overview of the Commission's activities as a whole and are comprised of the *statement of net position* and the *statement of activities*. The *statement of net position* provides information about the financial position of the Commission on the full accrual basis, similar to that used in the private sector. It shows the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The *statement of activities* provides information about the Commission's revenues and expenses, also on the full accrual basis, and explains in detail the change in net position for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

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

The *fund financial statements* report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements report the Commission's operations in more detail and focus on the near-term activities of the Commission. The fund financial statements are prepared on the modified accrual basis and measure only current revenues, expenditures and fund balances; they exclude capital assets and long-term liabilities.

Notes to the 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.

Financial Information

The following is a summary of the Commission's statement of net position comparing balances at June 30, 2021 and June 30, 2022.

	Governmental Activities 2022	Governmental Activities 2021	Change
Assets			
Current and other assets	$ 5,260,952	$ 5,624,367	$ (363,415)
Noncurrent assets	492,755	3,864	488,891
Total assets	5,753,707	5,628,231	125,476
Deferred Outflows of Resources	336,035	178,069	157,966
Liabilities			
Current liabilities	334,797	305,467	29,330
Noncurrent liabilities	272,632	72,383	200,249
Total liabilities	607,429	377,850	229,579
Deferred Inflows of Resources	114,816	136,095	(21,279)
Net Position			
Net investment in capital assets	(4,606)	-	(4,606)
Unrestricted	5,372,103	5,292,355	79,748
Total net position	$ 5,367,497	$ 5,292,355	$ 75,142

The Commission's net position from governmental activities increased from $5,292,355 in 2021 to $5,367,497 on June 30, 2022. The $75,142 increase in net position is primarily attributed to a decrease of expenditures related to the Help Me Grow program and the Commission's response to the COVID Pandemic due to a focus on strategic planning.

Total assets increased by $125,476, or 2.2%, from the prior year. For 2022 the commission recognized a right-to-use lease asset due to the implementation of GASB Statement No. 87, *Leases* of $280,960 net of accumulated amortization. Furthermore, the CalPERS pension fiduciary net position exceeded the total pension liability by $207,931, compared to a net pension liability of $44,581 on June 30, 2021. The increases are partly offset by a reduction in the Commission's investment portfolio of $501,117, or 10.1 percent from the prior year amount of $5,460,962.

Current liabilities for the year ending June 30, 2022 increased by $29,330 to $334,797. For 2022 the commission recognized a lease liability due to the implementation of GASB Statement No. 87, *Leases*. The current portion of the lease liability was $44,141 on June 30, 2022. Change in the balances of other current liabilities including accounts payable are due to timing.

Noncurrent liabilities as of June 30, 2022 consisted of the long-term component of compensated absences of $31,207 and the Commission's administrative office lease of $241,425. Noncurrent liabilities increased $200,249, mostly due to a reduction in the CalPERS net pension liability offset by the lease liability from the implementation of GASB 87, *Leases*.

At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources in the amounts of $336,035 and $114,816, respectively. The deferred outflows (inflows) of resources represent amounts that will increase (decrease) pension expense in subsequent periods. Included with deferred outflows of resources represent amounts that will decrease (increase) pension expense in subsequent periods.

The following is a summary of the Commission's revenues, expenses and change in net position comparing fiscal year 2021-22 with fiscal year 2020-21.

	Governmental Activities		
	2022	2021	Change
Program Revenues			
Proposition 10 tobacco tax	$ 1,076,005	1,167,072	$ (91,067)
Proposition 56 tobacco tax	360,860	350,862	9,998
Foundation Grant	28,716	49,792	(21,076)
Total program revenues	1,465,581	1,567,726	(102,145)
General Revenues			
Investment income	(54,189)	22,281	(76,470)
Miscellaneous	726	-	726
Total revenues	1,412,118	1,590,007	(75,744)
Expenses			
Program and services	1,134,758	1,647,200	(512,442)
Evaluation	123,173	112,412	10,761
General administration	79,045	83,010	(3,965)
Total expenses	1,336,976	1,842,622	(505,646)
Change In Net Position	75,142	(252,615)	327,757
Net Position, Beginning of Year	5,292,355	5,544,970	(252,615)
Net Position, End of Year	$ 5,367,497	$ 5,292,355	$ 75,142

Tobacco tax revenues decreased $81,069, or 5% compared to 2020-21. The decrease is related to the decline in smoking, as projected.

The Commission allocates its expenses based on five strategic results. Four were identified in its 2017-2022 Strategic Plan: Partnership for Change, Grassroots Capacity, Public Education and Public Policy Advocacy. In 2020 the Help Me Grow program was added. In accordance with state law, the Commission also maintains a cost center which reflects our evaluation efforts. The Commission expended $1,336,976 in fiscal year 2021-22 compared to $1,842,622 in the previous fiscal year. This is a decrease in expenses of $505,646 or 27%. The decrease is primarily due to the strategic planning process and the decision to minimize programmatic expenditures until our new strategic direction was determined.

Financial Analysis of the Governmental Fund

The fluctuations in the Commission's General Fund revenues and expenditures from the year ended June 30, 2021, to June 30, 2022, are like those in the government-wide statement of activities. Differences between the general fund, which reports accounting transactions on the modified accrual basis of accounting, and the governmental activities, which reports accounting transactions on the full accrual basis of accounting, arise primarily due to timing differences. Specifically, accrued vacation, pension, and tobacco tax revenue are recognized throughout different fiscal years, depending based on the accounting rules.

The general fund's ending fund balance as of June 30, 2022, decreased by $345,450. Tobacco tax revenues declined $81,069, and we recognized negative investment income of $54,189. This was partly offset because of an intentional decrease in programmatic expenditures during the strategic planning process. Additionally, we did not have any new programs launching as we did in the prior year with Help Me Grow which contributed to an increase in expenditures.

General Fund Budgetary Highlights

Total revenues exceeded budgeted amounts by $88,240, and total expenditures were less than the budgeted amount by $508,049. Total expenditures were less than budgeted due to the pause on budged program activities due to strategic planning.

Economic Outlook and Major Initiatives

The state projects a continuing decrease of Proposition 10 Tobacco Surtax revenue due to a decline in tobacco consumption. Therefore, the Commission's allocation is also expected to decline, with a projected decrease of approximately 3-4% in fiscal year 2022-23.

Request for Information

This annual report is intended to provide the community with a general overview of the Commission's finances. Questions about this report should be directed to the Commission's Executive Director at 1050 Northgate Drive, Suite 130, San Rafael, CA 94903.

	Governmental Activities
Assets	
Current Assets	
Cash and investments	$ 4,959,845
Accounts receivable	291,007
Interest receivable	10,100
Total current assets	5,260,952
Noncurrent Assets	
Deposit	3,864
Capital assets, net of accumulated amortization	280,960
Net pension asset	207,931
Total noncurrent assets	492,755
Total assets	5,753,707
Deferred Outflows of Resources	
Deferred outflows related to pensions	336,035
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	251,468
Accrued wages and benefits	18,384
Leases	44,141
Compensated absences	20,804
Total current liabilities	334,797
Noncurrent Liabilities	
Compensated absences	31,207
Leases	241,425
Total noncurrent liabilities	272,632
Total liabilities	607,429
Deferred Inflows of Resources	
Deferred inflows related to pensions	114,816
Net Position	
Net investment in capital assets	(4,606)
Unrestricted	5,372,103
Total net position	$ 5,367,497

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities			
Early childhood development	$ 1,336,976	$ 1,465,581	$ 128,605
General Revenues			
Investment loss			(54,189)
Miscellaneous			726
Total general revenues			(53,463)
Change in Net Position			75,142
Net Position - Beginning			5,292,355
Net Position - Ending			$ 5,367,497

	General Fund
Assets	
Cash and investments	$ 4,959,845
Accounts receivable	291,007
Interest receivable	10,100
Total assets	$ 5,260,952
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$ 250,555
Accrued expenditures	28
Accrued wages and benefits	18,384
Total liabilities	268,967
Fund Balances	
Committed	$ 2,378,180
Unassigned	2,613,805
Total fund balance	4,991,985
Total liabilities and fund balance	$ 5,260,952

Fund balance of governmental fund	$ 4,991,985
Amounts reported for governmental activities in the statement of net position are different because of the following items:	
Capital assets, net of accumulated depreciation and amortization used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	280,960
Differences between expected and actual experiences, changes in proportion, and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
Deferred outflows - pension related	336,035
Deferred inflows - pension related	(114,816)
The Commission placed a deposit with the lessor in connection with its leased office facility. The deposit is not a current financial resource and therefore is not reported in the governmental fund.	3,864
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued lease interest	(885)
Compensated absences	(52,011)
Net pension asset	207,931
Lease payable	(285,566)
Net position of governmental activities	$ 5,367,497

	General Fund
Revenues	
Tobacco tax, Proposition 10	$ 1,076,005
Tobacco tax, Proposition 56	360,860
Foundation grant	28,716
Investment income	(54,189)
Other	726
Total revenues	1,412,118
Expenditures	
Current	
Early childhood education	
Partnership for change	774,003
Grassroot capacity	42,083
Public education	228,690
Public policy advocacy	182,311
Evaluation	161,921
Help Me Grow	264,649
General administration	103,911
Capital outlay	
General government	285,566
Total expenditures	2,043,134
Deficiency of Revenues Under Expenditures	(631,016)
Other Financing Sources	
Leases (as lessee)	285,566
Net Change in Fund Balance	(345,450)
Fund Balance - Beginning	5,337,435
Fund Balance - Ending	$ 4,991,985

Net Change in Fund Balance - Total Governmental Funds	$ (345,450)
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures and changes in fund balance because of the following items:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimate useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense in the current period.	280,960
Bond and other debt proceeds, including entering into lease agreements as a lessee, provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(285,566)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Accrued interest on long-term debt	(885)
Change in compensated absences	(5,674)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts.	431,757
Change in Net Position of Governmental Activities	$ 75,142

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Marin Children and Families Commission (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 Marin 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 and 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.

Basis of Accounting, Basis of Presentation, and Measurement Focus

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-Wide Financial Statements

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include tobacco taxes, grants, entitlements, and donations. Revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting all assets, liabilities and deferred outflows and inflows of the Commission are included on the statement of net position. For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position comprises three components: net investment in capital assets, restricted, and unrestricted.

> *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and amortization, and is reduced by outstanding balances of bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets, including right-to-use lease assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
>
> *Restricted net position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through constitutional provision or enabling legislation.
>
> *Unrestricted net position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories.

Fund Financial Statements

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in the General Fund to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured.

Capital Assets, Net of Accumulated Amortization

The Commission capitalizes assets with a cost in excess of $50,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Leases

The Commission is a lessee for a noncancellable lease of office space. The Commission recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Commission recognizes lease liabilities with an initial, individual value of $50,000 or more.

At the commencement of a lease, the Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Commission is reasonably certain to exercise, as applicable.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements.

Compensated absences consist of employee earned vacation time and personal holiday time and are accrued by the Commission when earned by the employee. Unused vacation time and personal holiday may be accumulated up to a specified maximum and are paid at the time of termination from Commission employment.

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.

Years of Service	Hourly Standard Accrual	Maximum Vacation (Days/Year)
Less than 3	0.0385	10
Less than 5	0.0577	15
5 onward	0.077	20

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.

The accumulated dollar amount of unpaid employee vacation as of June 30, 2022 was $52,011 and will be paid by the general fund when due.

Beginning	Additions	Deletions	Ending	Amount Due Within One Year
$ 46,337	$ 24,209	$ 18,535	$ 52,011	$ 20,804

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Commission's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

Fund Balance

Fund balance is classified based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission has established the following classifications and definitions of fund balance for the year ended June 30, 2022:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Commission reported no nonspendable fund balance on June 30, 2022.

Restricted – amounts that can be spent only for specific purposes because constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Commission reported no restricted fund balance on June 30, 2022.

Committed – resources with self-imposed limitations and require both a formal action of the highest level of decision-making authority (Board of Commissioners) and the same formal action to remove or modify the limitations. The formal action for the Board of Commissioners is a majority vote to commit funds for a specific purpose through resolutions. This includes appropriation of a portion of existing fund balance sufficient to eliminate subsequent year's budget deficit, resources assigned to specific programs for which there is an approved budget and amounts for economic stabilization in the event of specific nonroutine events.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Commission reported no assigned fund balance on June 30, 2022.

Unassigned – all other spendable amounts.

The Commission's spending priority is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

The Commission has formally established a stabilization account, which is reported as a component of the general fund committed fund balance. The Commission's stabilization account policy requires an amount of committed fund balance of not less than six months of annual operating expenditures for a fiscal year. As of June 30, 2022, the Commission has $866,000 in the stabilization account. Refer to Notes 6 and 7 for more details regarding the Commission's stabilization arrangement.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Commission reports deferred outflows related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission reports deferred inflows related to pensions.

Change in Accounting Principles

GASB Statement No. 87 – As of July 1, 2020, the Commission adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Note 2 - Cash and Investments

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

Cash and Cash Deposits	$ 163,184
Investments	4,796,661
Total cash and investments	$ 4,959,845

Investments consisted of the following at June 30, 2022

Money Market Mutual Funds	$ 2,228,254
Certificates of Deposit	741,377
Mutual Funds	465,480
Corporate Bond	1,141,837
Governmental External Investment Pools	219,713
Total investments	$ 4,796,661

The Commission has cash 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:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Agency Securities	5 years	None	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Marin County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	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.

The following is a summary of the credit quality of the Commission's investment portfolio at June 30, 2022:

Investment Type	Fair Value	Nationally Recognized Statistical Rating Organizations						
		AAA	A+	A	A-	BBB+	BBB	Unrated
Mutual funds	$ 465,480	-	$ -	$ -	$ -	$ -	$ -	$ 465,480
Corporate Bonds	1,141,837	74,624	283,554	150,227	150,935	184,917	297,581	-
Cash, Money Funds and Bank Deposits [1, 2]	2,228,254	-	-	-	-	-	-	2,228,254
Certificates of Deposit	741,377	-	-	-	-	-	-	741,377
Marin County Pool	113,288	-	-	-	-	-	-	113,288
Local Agency Investment Fund (LAIF)	106,425	-	-	-	-	-	-	106,425
Total	$ 4,796,661	$ 74,624	$ 283,554	$ 150,227	$ 150,935	$ 184,917	$ 297,581	$ 3,654,824

[1] The Dreyfus Insured Deposit Program employs a "multibank" investment approach to help increase the total FDIC insurance coverage up to $2.5 million.
[2] These investments are FDIC insured.

Although certain investments are unrated by Standard & Poors, all investments comply with the risk profile of the Commission's investment policy.

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. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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 under state law (unless so waived by the governmental unit). 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2022, $2,348,694 of investment balances were exposed to custodial credit risk by not being insured or collateralized.

Concentration of Credit Risk

Investments in any one issuer that represent five percent or more of total investments are as follows:

Issuer	Reported Amount
Oracle Corporation	$ 297,581
Total	$ 297,581

Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair value of the Commission's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the investment portfolio by maturity.

		Weighted Average Maturity	
Investment Type	Fair Value	Less than 1 year	1 to 5 years
Marin County Pool	$ 113,288	$ 113,288	$ -
Local Agency Investment Fund (LAIF)	106,425	106,425	-
Money Market Mutual Funds	2,228,254	2,228,254	-
Corporate Bonds	1,141,837	536,147	878,488
Certificates of Deposit	741,377	245,355	223,224
Mutual funds	465,480	465,480	-
	$ 4,796,661	$ 3,694,949	$ 1,101,712

Fair Value Measurements

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the Commission has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Commission's own data.

Deposits and withdrawals in the Marin County Treasury Investment Pool and State Local Agency Investment Fund are made on the basis of $1 and not fair value. Accordingly, the Commission's proportionate share of investments in those funds at June 30, 2022 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The Commission's fair value measurements are as follows at June 30, 2022:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Mutual funds	$ 465,480	$ -	$ 465,480	$ -	$ -
Corporate Bonds	1,141,837	-	1,141,837	-	-
Money Market Mutual Funds	2,228,254	2,228,254	-	-	-
Certificates of Deposit	741,377	-	741,377	-	-
Marin County Pool	113,246	-	-	-	113,246
Local Agency Investment Fund	106,425	-	-	-	106,425
Total	$ 4,796,619	$ 2,228,254	$ 2,348,694	$ -	$ 219,671

All assets have been valued using a market approach, with quoted market prices.

Reported investment income is comprised of the following components as of June 30, 2022:

Interest Income	$ 60,335
Realized and Unrealized Loss in Investments	(114,524)
Total investment income (loss)	$ (54,189)

Note 3 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Commission's Employee Pension Plan, (the Plan) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Commission resolution. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial reports may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statue and may be amended by the Commission's contract with the employees.

The Plan provisions and benefits in effect June 30, 2022, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	10.340%(1)	7.590%(1)

(1) Percentage does not include the employer payment unfunded liability.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2022, employer contributions were $39,485.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As June 30, 2022, the Commission's reported net pension asset for its proportionate shares of the collective net pension liability is $207,931.

The Commission's net pension asset is measured as the proportionate share of the collective Plan's net pension liability. The net pension liability is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 using standard update procedures. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportionate share of the net pension liability as of June 30, 2020 and 2021 fiscal periods was as follows:

Proportion - June 30, 2019 Measurement Date	0.0011%
Proportion - June 30, 2020 Measurement Date	-0.0110%
Increase in proportion	-0.0120%

For the year ended June 30, 2022, the Commission recognized a pension credit of $392,272. On June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Commission contributions subsequent to measurement date	$ 39,485	$ -
Differences between the Commission's contributions and proportionate share of contributions	48,017	45,379
Net difference between projected and actual earnings on plan investments	181,512	-
Change in the Commission's proportion	67,021	46,120
Difference between expected and actual experience	-	23,317
Total	$ 336,035	$ 114,816

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is $39,485, which will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 41,601
2024	42,848
2025	47,124
2026	50,161
	$ 181,734

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions for the collective miscellaneous plans:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Investment Rate of Return	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	7.15%
Mortality Rate Table [2]	[1] Derived using CalPERS' Membership Data for
Post-retirement benefit increase	Protection Allowance Floor on Purchasing

[1] Changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

[2] The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2011.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS’ staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	(1) Real Return Years 1 - 10	(2) Real Return Years 11+
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

(1) An expected inflation of 2.0% used for this period.

(2) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.15%	7.15%	8.15%
Commission's Net Pension Liability (Asset)	$ 40,112	$ (207,931)	$ (412,984)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report.

Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital assets being amortized				
Right-to-use office lease	$ -	$ 285,566	$ -	$ 285,566
Less accumulated amortization for				
Right-to-use office lease	-	4,606	-	4,606
Capital assets being amortized, net	$ -	$ 280,960	$ -	$ 280,960

Amortization expense was charged to the early childhood development functions/programs of the Commission's governmental activities.

Note 5 - Leases

Lease payable

The Commission entered into a multi-year lease agreement for its administrative offices as lessee. An initial lease liability was recorded in the amount of $285,566 during the current fiscal year. As of June 30, 2022, the value of the lease liability was $285,566. The Commission is required to make monthly principal and interest payments of $4,949. The lease has an interest rate 3.9 percent. The value of the right-to-use asset as of the end of the current fiscal year was $285,566 and had accumulated amortization of $4,606.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	$ 44,141	$ 10,307	$ 54,448
2024	52,747	8,342	61,090
2025	56,735	6,180	62,915
2026	60,914	3,881	64,795
2027	65,317	1,413	66,731
2028	5,712	1	5,713
	$ 285,566	$ 30,125	$ 315,691

Changes in the Commission's long-term lease liabilities for the year ended June 30, 2022, are as follows:

Beginning	Additions	Deletions	Ending	Amount due within one year
$ -	$ 285,566	$ -	$ 285,566	$ 44,141

Note 6 - Fund Balance

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2022 consisted of the following:

Committed	
Economic stabilization	$ 866,000
Child development programs	
Evaluation	100,000
Grassroots capacity	140,000
Help Me Grow	200,000
Partnerships for change	882,180
Public education	130,000
Public policy and advocacy	60,000
Total committed for child development programs	1,512,180
Total committed fund balance	2,378,180
Unassigned	2,613,805
Total fund balance	$ 4,991,985

The Commission may use the unassigned fund balance only for activities and costs within its jurisdiction. It is management's intention to use the unassigned fund balance for programs under the Commission's Strategic Plan.

Note 7 - Stabilization Arrangement

In October of 2013, the governing board adopted a resolution establishing a stabilization account. Under the resolution, a part of the fund balance of the general fund is committed for stabilization arrangements to satisfy outstanding liabilities and meet contractual financial obligations under the Commission's Strategic Plan. The specific events that will allow access to the stabilization account are actions taken by the California legislature, voters, or other parties to redirect First 5 funding, repeal the proposition establishing First 5 Commissions, or otherwise limit the revenue available to the Commission in a manner that is other than from events that are expected to occur routinely.

At June 30, 2022, $866,000 of the fund balance of the general fund was reported as committed for economic stabilization.

Note 8 - Program Evaluation

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

For the year ended June 30, 2022, the Commission expended $161,921 for program evaluation.

Note 9 - Risk Management

The Commission is exposed to various risks of loss related to the loss of, damage to and destruction of assets caused by accidents, forces of nature, and the requirements of the California Labor Code.

The Commission mitigates its exposure to loss through purchase of private insurance. During the year ending June 30, 2022, the Commission had no settlements exceeding insurance coverage for these categories of risk. For the past three years, settlements or judgment amounts have not exceeded insurance provided for the Commission.

Required Supplementary Information
June 30, 2022

First 5 Marin Children and Families Commission

	Budget Original	Budget Final	Actual Amounts	Variance - Positive (Negative)
Revenues				
Proposition 10 tobacco tax	$ 1,121,378	$ 1,121,378	$ 1,076,005	$ (45,373)
Proposition 56 tobacco tax	-	-	360,860	360,860
Investment income	2,500	$ 2,500	(54,189)	(56,689)
Other revenue	200,000	200,000	29,442	(170,558)
Total revenues	1,323,878	1,323,878	1,412,118	88,240
Expenditures				
Current				
Early childhood development				
Contracts and initiatives	1,293,000	1,293,000	775,602	517,398
Salaries and employee benefits	604,417	604,417	654,267	(49,850)
Professional services	201,400	201,400	204,918	(3,518)
Rent and occupancy	52,800	52,800	53,499	(699)
Supplies	3,000	3,000	3,306	(306)
Software	2,500	2,500	7,887	(5,387)
Equipment purchase	8,500	8,500	281	8,219
Equipment rental and maintenance	5,700	5,700	6,134	(434)
Insurance	7,500	7,500	8,834	(1,334)
Travel and conferences	13,000	13,000	2,417	10,583
Telephone and internet	6,000	6,000	5,937	63
Printing and postage	7,300	7,300	334	6,966
Dues and subscriptions	6,000	6,000	6,153	(153)
Meetings	4,500	4,500	27,473	(22,973)
Investment fees		-	526	(526)
Contingency fund	50,000	50,000	-	50,000
Total expenditures	2,265,617	2,265,617	1,757,568	508,049
Net change in fund balance	(941,739)	(941,739)	(345,450)	596,289
Fund balance, June 30	$ 4,395,696	$ 4,395,696	$ 4,991,985	$ 596,289

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of the net pension liability	0.0026%	0.0061%	0.0064%	0.0069%	0.0070%	0.0004%	0.0011%	-0.0110%
Proportionate share of the net pension liability (asset)	$ 162,982	$ 166,549	$ 223,501	$ 270,976	$ 262,069	$ 14,086	$ 44,581	$ 207,931
Covered payroll	$ 258,938	$ 326,111	$ 348,199	$ 220,282	$ 265,239	$ 263,263	$ 359,438	$ 420,400
Proportionate Share of the net pension liability as a percentage of covered payroll	62.94%	51.07%	64.19%	123.01%	98.80%	5.35%	12.40%	202.18%
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%	75.39%	75.26%	77.73%	75.10%	90.49%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Fiscal Year	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contributions	$ 26,881	$ 18,453	$ 22,227	$ 23,409	$ 34,794	$ 44,075	$ 39,485
Contributions in relation to the actuarially determined contribution	(26,881)	(18,453)	(22,227)	(23,409)	(34,794)	(44,075)	(39,485)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 348,199	$ 220,282	$ 265,239	$ 263,263	$ 359,438	$ 420,400	$ 437,953
Contributions as a percentage of covered payroll	7.72%	8.38%	8.38%	8.89%	9.68%	10.48%	9.02%

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Note 1 - Budget

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operations, commencing July 1st, are governed by the proposed budget, adopted by the board of Commissioners by June of the prior fiscal year.

An operating budget is adopted each fiscal year in accordance with generally accepted accounting principles based on estimates of revenues and anticipated expenditures. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unpaid contracts in process at year-end are fully performed by year-end or purchase commitments satisfied. Unencumbered appropriations lapse at year-end and encumbrance balances that will not be honored are liquidated.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the total fund level. The Commission does not establish a budget for capital outlay.

Note 2 - Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions

A cost-sharing employer is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan) - the collective net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. The schedules present information to illustrate changes in the Commission’s proportionate share of the net pension liability and employer contributions over a ten-year period when the information is available.

Note 3 - Schedule of Pension Contributions

This schedule presents information on the Commission's contribution, the amounts actually contributed, and any excess or deficiency related to the calculated contribution. In the future, as data becomes available, ten years of information will be presented.

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*

To the Board of Commissioners
First 5 Marin Children and Families Commission
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund information of Marin County Children and Families Commission, (Commission) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 25, 2022. Our report contained an emphasis of matter regarding the implementation of GASB Statement No. 87, *Leases*.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Menlo Park, California
October 25, 2022

Independent Auditor's Report on State Compliance

To the Board of Commissioners
First 5 Marin Children and Families Commission
San Rafael, California

Report on State Compliance

Opinion

We have audited the Marin County Children and Families Commission's (Commission) compliance with the requirements specified in the State of *California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Eide Bailly LLP

Menlo Park, California
October 25, 2022