

---

---

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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

---

---

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**JUNE 30, 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1 - 2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3 - 7
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Activities	9
GOVERNMENTAL FUND STATEMENTS:	
Balance Sheet	10
Statement of Revenues, Expenditures and Changes in Fund Balance	11
Reconciliation Between the Government-wide Financial Statements and the Fund Financial Statements	12 - 13
Notes to Financial Statements	14 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	30
Schedule of the Local Governments Proportionate Share of the Net Pension Liability	31
Schedule of Contributions	32
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Change in Fund Balance by Fund Source for First 5 California (F5CA) Funding	34
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 <i>GOVERNMENT AUDITING STANDARDS</i>	35 - 36
INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE	37 - 38
SCHEDULE OF FINDINGS AND RESPONSES	39
STATUS OF PRIOR YEAR FINDINGS	40

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of Marin Children and Families Commission (the Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission as of June 30, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7, Budgetary Comparison Information on page 30, Schedule of the Commission's Proportionate Share of the Net Pension Liability on Page 31 and Schedule of the Commission's Contributions on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of revenues, expenditures and change in fund balance by fund source for First 5 California Funding listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

**Patel & Associates, LLP**  
**Certified Public Accountants**



Oakland, California  
October 13, 2016

**MARIN CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT DECISION AND ANALYSIS  
JUNE 30, 2016**

This section of Marin Children and Families Commission's (the Commission) annual financial report presents management's discussion and analysis of the Commission's financial performance during the year ended in June 30, 2016. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

**Financial Highlights**

- The Commission received \$1,596,815 in tax revenues compared to \$1,567,188 received in the prior fiscal year, an increase of \$29,627 or 2%.
- The Commission had expenditures totaling \$1,457,510 for the fiscal year ended June 30, 2016, which is a decrease of \$27,095 or 2% compared to \$1,484,605 for the fiscal year ended June 30, 2015. This is primarily due to the delayed start of one of our funded projects.
- The Commission's total assets increased from \$5,510,941 as of June 30, 2015 to \$5,661,294 as of June 30, 2016 by \$150,353 or 3%. The increase is due to a reduction in expenses, better than anticipated interest earnings, and higher tax revenues in the current year than anticipated in our budget.
- The Commission's total liabilities decreased from \$430,215 as of June 30, 2015 to \$382,982 as of June 30, 2016 by \$47,233 or 11%. The decrease is due to reduction in accounts payable in current year.

**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 statement is comprised of the following: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic 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 position presents information on all of the Commission's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**MANAGEMENT DECISION AND ANALYSIS**  
**JUNE 30, 2016**

The statement of activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 fund statements are used to account for essentially the same functions 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 fiscal year. Such information may be useful in evaluating a commission'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. Reconciliation's 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.

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.

**MARIN CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT DECISION AND ANALYSIS  
JUNE 30, 2016**

**Government-Wide Financial Statements Analysis**

As noted earlier, net position 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 \$5,247,881 at the end of the fiscal year.

**NET POSITION**

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Assets:			
Current and other assets	\$ 5,661,294	\$ 5,510,941	3 %
Total assets	<u>5,661,294</u>	<u>5,510,941</u>	<u>3 %</u>
Deferred outflows of resources	<u>53,476</u>	<u>30,329</u>	<u>76 %</u>
Liabilities:			
Current liabilities	185,755	237,673	(22)%
Noncurrent liabilities	<u>197,227</u>	<u>192,542</u>	<u>2 %</u>
Total liabilities	<u>382,982</u>	<u>430,215</u>	<u>(11)%</u>
Deferred inflows of resources	<u>83,907</u>	<u>63,578</u>	<u>32 %</u>
Net position:			
Total net position	<u>\$ 5,247,881</u>	<u>\$ 5,047,477</u>	<u>4 %</u>

The Commission's net position of \$5,247,881 as of June 30, 2016 increased by \$200,404 or 4% compared with the prior year.

The Commission's total assets increased from \$5,510,941 as of June 30, 2015 to \$5,661,294 as of June 30, 2016 by \$150,353 or 3%. The increase is due to a reduction in expenses and higher tax revenues in the current year than anticipated in our budget as noted above.

Noncurrent liabilities increased by \$4,685 or 2%, primarily due to reporting of net pension liabilities as required by GASB Statement no. 68.

**MARIN CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT DECISION AND ANALYSIS  
JUNE 30, 2016**

**CHANGES IN NET POSITION**

The following is a summary of the Commission's revenue, expenses and changes in net position comparing fiscal year ended June 30, 2016 with 2015.

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenue:			
Tax revenue	\$ 1,596,815	\$ 1,567,188	2 %
Other State revenue	<u>                    </u>	<u>58,329</u>	<u>(100)%</u>
	<u>1,596,815</u>	<u>1,625,517</u>	<u>(2)%</u>
General revenue:			
Interest and investment income	<u>61,099</u>	<u>22,842</u>	<u>167 %</u>
	<u>61,099</u>	<u>22,842</u>	<u>167 %</u>
Total revenues	<u>1,657,914</u>	<u>1,648,359</u>	<u>1 %</u>
<b>Expenses:</b>			
Program and services	1,281,452	1,283,219	0 %
Evaluation	113,735	124,340	(9)%
General administration	<u>62,323</u>	<u>77,046</u>	<u>(19)%</u>
Total expenses	<u>1,457,510</u>	<u>1,484,605</u>	<u>(2)%</u>
<b>Change in net position:</b>	200,404	163,754	22 %
Net position – beginning, as restated	<u>5,047,477</u>	<u>4,883,723</u>	<u>3 %</u>
Net position – ending	<u>\$ 5,247,881</u>	<u>\$ 5,047,477</u>	<u>4 %</u>

**Revenues**

The Commission received total revenues of \$1,657,914 during the fiscal year ended June 30, 2016, which was an increase of \$9,555 or 1% compared with the prior year's total revenues of \$1,648,359. The increase in tobacco revenues in the current fiscal year more closely approximated our projections, and our unrealized gains on investments were higher in the current fiscal year.

**Tobacco Tax Revenues**

Unrestricted tobacco tax revenue increases from \$1,567,188 in FY 2014-2015 to \$1,596,815 in FY 2015-2016, an increase of \$29,627 or 2%.

**Interest Income and Total Return on Investments**

During the year ended June 30, 2016, the Commission earned \$205,167 interest from Local Agency Investment Fund, Investments and County Pool. Interest income increased \$5,053 or 3% compared to \$200,114 in prior year. However, there was a decrease of \$27,525 in unrealized losses from \$167,824 in FY 2014-2015 to \$140,299 in FY 2015-2016. There was also decrease of \$5,437 in realized losses from the prior year. All this resulted in a net increase of \$38,257 in total return on investments from \$22,842 in FY 2014-2015 to \$61,099 in FY 2015-2016.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**MANAGEMENT DECISION AND ANALYSIS**  
**JUNE 30, 2016**

**Expenses**

The Commission allocates its expenses based on four Strategic Results identified in its 2012 – 2017 Strategic Plan: Partnership for Change, Grass Root Capacity Building, Public Education and Public Policy Advocacy. In accordance with State Law, the Commission also maintains a cost center which reflects our Evaluation efforts. The Commission expended \$1,457,510 in FY 2015-2016 compared to \$1,484,605 in the previous fiscal year. This is a decrease in expenses of \$27,095 or 2%. The decrease is due to lower than budgeted expenses for a couple of contracts, decreased operating costs, and slower roll-out of new initiatives.

**Other Potentially Significant Matters**

The State projects a continuing decrease of Proposition 10 Tobacco Surtax revenue and, therefore, in the share allocated to the Commission due to a decline in tobacco consumption. The decrease is projected to be approximately 4% for FY 2016-2017. In addition, there are significant efforts to increase tobacco taxes in the coming year, which, even with backfill for Prop 10, may negatively impact our share of tobacco tax revenue.

**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 1050 Northgate Drive, Suite 130, San Rafael, CA 94903.

**MARIN CHILDREN AND FAMILIES COMMISSION  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Governmental Activities
Assets:	
Current assets:	
Cash and investments (Note 3)	\$ 5,329,225
Accounts receivable (Note 4)	286,552
Interest receivable	37,554
Prepaid expense	4,099
Total current assets	5,657,430
Noncurrent assets	
Deposit	3,864
Total Noncurrent assets	3,864
Total assets	5,661,294
Deferred Outflows of Resources	
Deferred pensions	53,476
Total deferred outflows of resources	53,476
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	12,979
Contracts payable (Note 5)	131,118
Contracts payable - related parties (Note 5)	41,658
Total current liabilities	185,755
Noncurrent liabilities	
Compensated absences	30,678
Net pension liability	166,549
Total Noncurrent liabilities	197,227
Total liabilities	382,982
Deferred Inflows of Resources:	
Deferred revenue	83,907
Total deferred inflows of resources	83,907
Net position:	
Unrestricted	5,247,881
Total net position	\$ 5,247,881

The accompanying notes are an integral part of these financial statements.

**MARIN CHILDREN AND FAMILIES COMMISSION  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Program Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense)/ Revenue and Changes in Net Position</u>
Primary government:			
Governmental activities:			
Partnership for change	\$ 735,597	\$ 718,567	\$ (17,030)
Grassroot capacity building	36,097	319,363	283,266
Public education	127,252	79,841	(47,411)
Public policy advocacy	382,506	319,362	(63,144)
Evaluation	113,735	79,841	(33,894)
General administration	<u>62,323</u>	<u>79,841</u>	<u>17,518</u>
Total primary government	<u>\$ 1,457,510</u>	<u>\$ 1,596,815</u>	<u>139,305</u>
General revenues:			
Investment income			<u>61,099</u>
Total general revenues			<u>61,099</u>
Change in net position			200,404
Net position, beginning of year			<u>5,047,477</u>
Net position, end of year			<u>\$ 5,247,881</u>

The accompanying notes are an integral part of these financial statements.

**MARIN CHILDREN AND FAMILIES COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2016**

	Total Governmental Activities
<b>Assets:</b>	
Cash and investments (Note 3)	\$ 5,329,225
Accounts receivable (Note 4)	286,552
Interest receivable	37,554
Prepaid expense	4,099
Total assets	5,657,430
<b>Liabilities:</b>	
Accounts payable and accrued expenses	12,979
Contracts payable (Note 5)	131,118
Contracts payable - related parties (Note 5)	41,658
Total liabilities	185,755
<b>Fund Balance:</b>	
Nonspendable	4,099
Committed:	
Program contracts allocations	1,491,239
Stabilization fund	750,000
Assigned:	
Local initiatives and program sustainability	3,226,337
Total fund balance	5,471,675
Total liabilities, deferred inflows of resources and fund balance	\$ 5,657,430

The accompanying notes are an integral part of these financial statements.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2016**

	<u>Total Governmental Fund</u>
Revenues:	
Tax revenue	\$ 1,596,815
Child Signature program	32,575
Investment income	<u>61,099</u>
Total revenues	<u>1,690,489</u>
Expenditures:	
Current:	
Contracts and initiatives	885,901
Salaries and employee benefits	332,051
Professional services	138,970
Rent and occupancy	49,210
Supplies	3,083
Investment fees	9,799
Equipment rental and maintenance	6,966
Insurance	5,905
Travel and conferences	7,892
Telephone	5,492
Printing and postage expense	2,450
Dues and subscriptions	7,201
Meetings	540
Contingency fund	<u>183</u>
Total expenditures	<u>1,455,643</u>
Excess of revenues over expenditures	<u>234,846</u>
Net change in fund balance	234,846
Fund balance, beginning of year	<u>5,236,829</u>
Fund balance, end of year	<u><u>\$ 5,471,675</u></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  
JUNE 30, 2016**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

		<u>Total Governmental Fund</u>
Fund balance - total governmental fund	\$	5,471,675
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		53,476
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		(83,907)
Deposit used in governmental activities is not current financial resources and therefore is not reported in the funds.		3,864
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	\$ (30,678)	
Net pension liability	<u>(166,549)</u>	<u>(197,227)</u>
Net position of governmental activities	\$	<u><u>5,247,881</u></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  
JUNE 30, 2016**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

		<u>Total Governmental Fund</u>
Net change in fund balance - total governmental fund	\$	234,846
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(32,575)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	28,709	
Cost of benefits earned net of employee contributions	<u>(29,458)</u>	(749)
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.		
Compensated absences		<u>(1,118)</u>
Change in net position of governmental activities	\$	<u><u>200,404</u></u>

The accompanying notes are an integral part of these financial statements.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: DESCRIPTION OF THE REPORTING ENTITY**

The Marin Children and Families Commission (DBA First 5 Marin) 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 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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Measure Focus, Basis of Presentation, and Financial Statement Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) display the overall financial activities of the Commission.

The statement of position presents the Commission's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position in three categories.

- *Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

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.

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 one governmental fund, the general fund. Information in the fund financial statements is presented for the general fund which is the major fund of the Commission.

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.

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.

**Concentration of Revenue Sources**

During the year ended June 30, 2016, the Commission had one major revenue source, Prop 10 Tobacco surplus funds, which accounted for approximately 94% of the total revenue of the Commission.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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.

Unavailable Revenue

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due to the Commission are recognized as unavailable revenue at year-end in the fund financial statements

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, 2016 is \$30,678.

<u>Year of Service</u>	<u>Hourly Standard Accrual</u>	<u>Maximum Vacation (Days/Year)</u>
0-3	.0385	10
3-5	.0577	15
5 onward	.0770	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.

Employee Retirement Plan

The Commission maintains a defined benefit 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.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Pensions

For purposes of measuring the net pension liability and deferred outflows/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 Plans' 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.

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.

Fund Equity

The governmental funds report fund balance in classifications 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 classification:

- **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 governance. 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 intended 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.
  
- **Unassigned** – Resources that cannot be reported in any other classifications.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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.

The Commission has formally set its stabilization fund as committed funds in an amount of not less than 6 months of annual operating expenditures for a fiscal year. The stabilization funds can only be used in emergency situations and requires action by the Commission. Emergency situations are not expected to occur routinely and cannot be readily foreseen by the Commission. The stabilization fund is reviewed annually by the commission. As of June 30, 2016, the Commission has \$750,000 under the fund.

**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 no 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

**Estimates**

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

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3: CASH AND INVESTMENTS**

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

Cash and cash deposits	\$ 731,798
Deposit in County Pool	104,178
Investments	<u>4,493,249</u>
Total cash and investments	<u>\$ 5,329,225</u>

Investments consisted of the following at June 30, 2016:

Money Market Funds	\$ 538,711
Municipal Bond	970,977
Corporate Bond	2,884,841
Local Agency Investment Fund (LAIF)	<u>98,720</u>
Total investments	<u>\$ 4,493,249</u>

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:

<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	270 days	40%	30%
Commercial paper	180 days	40%	10%
Negotiable certificates of deposits	5 years	30%	None
Repurchase agreements	1 year	None	None
Medium term notes	2 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
LAIF	N/A	None	None
Joint powers authority pools (other investment pools)	N/A	None	None

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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 of June 30, 2016, the Commission has following investments:

<u>Investments:</u>	<u>Carrying Amount</u>	
LAIF	\$ 98,720	2 %
Cash Money Funds and Bank Deposit	538,711	12 %
American Honda Fin Corp Med Term NTS	115,121	3 %
Anheuser Busch Cos Inc NT	51,550	1 %
Berkshire Hathaway Fin Corp GTD SR NT	100,830	2 %
Berkshire Hathaway Inc Del Sr NT	125,833	3 %
California ST	970,977	22 %
Caterpillar Inc	65,355	1 %
Colgate Palmolive Co Medium Term NTS	125,492	3 %
Costco Wholesale Corp New SR NT	103,266	2 %
Disney Walt Co New Medium Term NTS	100,951	2 %
Goldman Sachs Group Inc Fixed RT NT	203,328	5 %
General Elec Cap Corp Internotes	110,377	2 %
Google Inc FXD RT NT	165,760	4 %
Home Depot Inc FXD RT SR NT	205,414	5 %

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

<u>Investments:</u>	<u>Carrying Amount</u>	
International Business Machs Corp	202,506	4 %
Johnson & Johnson FXD RT NT	203,436	4 %
JP Morgan Chase & Co Sub Nt	203,292	4 %
Simon PPTY Group LP Fixed Rate NT	70,451	2 %
Toyota Mtr CR Corp Medium Term NTS	205,348	5 %
VISA Inc Fxd RT SR NT	206,216	5 %
Wyeth Fxr RT NT	103,441	2 %
BP Cap Mkts P L C NT	115,651	3 %
Conocophillips CDA FDG Co INT	101,223	2 %
Total	<u>\$ 4,493,249</u>	<u>100 %</u>

Governmental agencies are required to report cash and investments based on fair value rather than cost in accordance with GASB Statement No. 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 generally have a maturity date of 3 years or less.

As of June 30, 2016 the Commission had the following investments:

	<u>Interest Rates(%)</u>	<u>Maturities</u>	<u>Carrying Value</u>
LAIF		On Demand	\$ 98,720
Cash Money Funds and Bank Deposit		On Demand	538,711
American Honda Fin Corp Med Term NTS	1.125 %	10/7/2016	115,121
Anheuser Busch Cos Inc NT	5.60 %	3/1/2017	51,550
Berkshire Hathaway Fin Corp GTD SR NT	1.60 %	5/15/2017	100,830
Berkshire Hathaway Inc Del Sr NT	1.90 %	1/31/2017	125,833
BP Cap Mkts P L C NT	1.846 %	5/5/2017	115,651
		03/01/2017-	
	5.750%-3.3%-	11/1/2017-	
California ST	4%	09/1/2018	970,977
Caterpillar Inc	5.70 %	8/15/2016	65,355
Colgate Palmolive Co Medium Term NTS	1.30 %	1/15/2017	125,492
Conocophillips CDA FDG Co INT	5.625 %	10/15/2016	101,223
Costco Wholesale Corp New SR NT	5.50 %	3/15/2017	103,266
Disney Walt Co New Medium Term NTS	5.625 %	9/15/2016	100,951
General Elec Cap Corp Internotes	5.75 %	8/15/2016	110,377
Goldman Sachs Group Inc Fixed RT NT	2.60 %	4/23/2020	203,328
Google Inc FXD RT NT	3.625 %	5/19/2021	165,760

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

	<u>Interest Rates(%)</u>	<u>Maturities</u>	<u>Carrying Value</u>
Home Depot Inc FXD RT SR NT	2.00 %	4/1/2021	205,414
International Business Machs Corp	1.625 %	5/15/2020	202,506
Johnson & Johnson FXD RT NT	1.65 %	3/1/2021	203,436
JP Morgan Chase & Co Sr NT	2.20 %	10/22/2019	203,292
Simon PPTY Group LP Fixed Rate NT	2.80 %	1/30/2017	70,451
Toyota Mtr CR Corp Medium Term NTS	2.125 %	7/18/2019	205,348
VISA Inc Fxd RT SR NT	2.20 %	12/14/2020	206,216
Wyeth Fxr RT NT	5.45 %	4/1/2017	<u>103,441</u>
Total investments			<u>\$ 4,493,249</u>

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, 2016.

	<u>Interest and Dividends</u>	<u>Total of Realized and Unrealized Gain/(Loss) on Investments</u>	<u>Total Return on Investments</u>
Deposits and investments	\$ 205,409	\$ (144,310)	\$ 61,099
Total investment income	<u>\$ 205,409</u>	<u>\$ (144,310)</u>	<u>\$ 61,099</u>

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2016:

Prop 10 revenue	\$ 286,419
Other receivable	<u>133</u>
	<u>\$ 286,552</u>

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5: CONTRACTS PAYABLE**

At June 30, 2016, contracts payable consisted of the following:

10,000 Degrees/Marin Kids	\$	6,615	
City of San Rafael/ Child Care		22,253	
Jewish Family & Children Services		13,262	
Marin County of Education		15,575	
Marin Child Care Council		45,763	
Novato Youth Center		4,766	
Parent Services Project		10,714	
San Geronimo Valley Community Center		5,932	
Other payables		<u>6,238</u>	
Contracts payable			\$ 131,118
M/C Dept. of Health & Human Services – Children’s Health		<u>41,658</u>	
Contract payable – related party			<u>41,658</u>
Total contracts payable			<u>\$ 172,776</u>

**NOTE 6: PENSION PLAN**

***Plan Description***

The Commission provides pension benefits to eligible employees through cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). CalPERS provides retirement, disabilities, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

***Contribution Description***

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. The Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

As of June 30, 2016, the Commission reported net pension liabilities of \$166,549 for its proportionate shares of the net pension liability of the Plan.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6: PENSION PLAN (CONT'D)**

The Commission's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term 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 for the Plan as of June 30, 2016 and 2015 was as follows:

	<u>Amount</u>
Proportion- June 30, 2014	\$ 162,982
Proportion- June 30, 2015	\$ 166,549

For the year ended June 30, 2016, the Commission recognized pension expense of \$53,476. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 53,476	\$
Net Difference between Projected and Actual Earnings on Pension Plan Investments		59,544
Adjustment due to Differences in Proportions		<u>24,363</u>
	<u>\$ 53,476</u>	<u>\$ 83,907</u>

\$53,476 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2017	\$ (14,453)
2018	(13,134)
2019	13,229
2020	0

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6: PENSION PLAN (CONT'D)**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014, total pension liability and the June 30, 2015 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Increase	

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.65 percent. 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, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund.

According to Paragraph 68 of Statement 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 20140 to 7.65 percent as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6: PENSION PLAN (CONT'D)**

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 took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+@</u>
Global Equity	51.00 %	5.25 %	5.71 %
Global Fixed Income	19.00 %	0.99 %	2.43 %
Inflation Sensitive	6.00 %	0.45 %	3.36 %
Private Equity	10.00 %	6.83 %	6.95 %
Real Estate	10.00 %	4.50 %	5.13 %
Infrastructure and Forestland	2.00 %	4.50 %	5.09 %
Liquidity	2.00 %	(0.55)%	(1.05)%

\* An expected inflation of 2.5% used for this period

@An expected inflation of 3.0% used for this period

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Discount Rate- 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate - 1% (8.65%)</u>
Plan's Net Pension Liability/(Asset)	\$ 354,966	\$ 211,658	\$ 93,341

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6: PENSION PLAN (CONT'D)**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 7: FUND BALANCE**

Fund balance of general fund as of June 30, 2016 is comprised of the following:

Nonspendable	\$ 4,099
Committed to:	
Commission for program contracts	1,491,239
Stabilization fund	750,000
Assigned to:	
Local initiatives & program sustainability	<u>3,226,337</u>
	<u>\$ 5,471,675</u>

**NOTE 8: 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 9: COMMITMENTS**

During the year ended June 30, 2016, the Commission had a lease agreement for office space under a noncancelable operating lease. The lease will expire in October 2017. For the year ended June 30, 2016, total rent paid was \$49,210. The future minimum operating lease payments for this lease are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ 50,173
2018	<u>16,888</u>
Total	<u>\$ 67,061</u>

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10: 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, 2016, 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>153,849</u>
Total	\$ <u><u>153,849</u></u>

As of June 30, 2016, outstanding related party transaction account balance pertains to contracts payable amounting to \$41,658.

**NOTE 11: 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 12: PROGRAM EVALUATION COSTS**

The Commission spent \$113,735 on program evaluation during year ended June 30, 2016.

**NOTE 13: SUBSEQUENT EVENTS**

The management of the Commission reviewed the results of operations for the period of time from its year end June 30, 2016 through October 13, 2016 the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)
<b>REVENUES:</b>				
Tax revenue	\$ 1,384,620	\$ 1,384,620	\$ 1,596,815	\$ 212,195
Child Signature program			32,575	32,575
Interest and investment income	<u>3,000</u>	<u>3,000</u>	<u>61,099</u>	<u>58,099</u>
Total revenues	<u>1,387,620</u>	<u>1,387,620</u>	<u>1,690,489</u>	<u>302,869</u>
<b>EXPENDITURES:</b>				
Contracts and initiatives	1,320,492	1,320,492	885,901	434,591
Salaries and employee benefits	336,213	336,213	332,051	4,162
Professional services	152,689	152,689	138,970	13,719
Rent and occupancy	48,824	48,824	49,210	(386)
Supplies	8,311	8,311	3,083	5,228
Investment fees			9,799	(9,799)
Equipment rental and maintenance	9,281	9,281	6,966	2,315
Insurance	8,986	8,986	5,905	3,081
Travel and conferences	10,360	10,360	7,892	2,468
Telephone	5,936	5,936	5,492	444
Printing and postage	5,009	5,009	2,450	2,559
Dues and subscriptions	5,024	5,024	7,201	(2,177)
Meetings	3,500	3,500	540	2,960
Contingency Fund	<u>50,000</u>	<u>50,000</u>	<u>183</u>	<u>49,817</u>
Total expenditures	<u>1,964,625</u>	<u>1,964,625</u>	<u>1,455,643</u>	<u>508,982</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(577,005)</u>	<u>(577,005)</u>	<u>234,846</u>	<u>811,851</u>
Net change in fund balance	<u>\$ (577,005)</u>	<u>\$ (577,005)</u>	<u>\$ 234,846</u>	<u>\$ 811,851</u>

**MARIN CHILDREN AND FAMILIES COMMISSION  
 SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 LAST 10 YEARS\*  
JUNE 30, 2016**

	<u>6/30/2015</u>
Proportion of the net pension liability	0.00607 %
Proportionate share of the net pension liability	166,549
Covered - employee payroll	258,938
Proportionate Share of the net pension liability as percentage of covered-employee payroll	64.32 %
Plan fiduciary net position as a percentage of the total pension liability	84.17 %

**Notes to Schedule:**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date.

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

**MARIN CHILDREN AND FAMILIES COMMISSION  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 YEARS\*  
JUNE 30, 2016**

	<u>2014-2015</u>
Actuarially determined contribution	\$ 53,604
Contributions in relation to the actuarially determined contributions	<u>(65,855)</u>
Contribution deficiency (excess)	<u>\$ (12,251)</u>
Covered-employee payroll	<u>\$ 258,938</u>
Contributions as a percentage of covered employee Payroll	25.43 %

**Notes to Schedule:**

Valuation date:	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll
Asset valuation method	Actuarial Value of Assets
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation

**SUPPLEMENTARY INFORMATION**

**MARIN CHILDREN AND FAMILIES COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE BY FUND SOURCE**  
**FOR FIRST 5 CALIFORNIA (F5CA) FUNDING**  
**JUNE 30, 2016**

	<u>F5CA Child Signature Program</u>
Revenues:	
Current:	
Program revenue	\$ <u>32,575</u>
Total revenues	<u>32,575</u>
Expenditures:	
Current:	
Program expenditures	<u>          </u>
Total expenditures	<u>          </u>
Change in net assets	32,575
Fund balance, beginning of year	<u>(32,575)</u>
Fund balance, end of year	<u><u>          </u></u>

**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***

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
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 major fund of Marin Children and Families Commission (the Commission), as of and for the year ended June 30, 2016, 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 13, 2016.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Patel & Associates, LLP**  
**Certified Public Accountants**

*Patel & Associates, LLP*

Oakland, California  
October 13, 2016

**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

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

**Compliance**

We have audited Marin Children and Families Commission’s (the 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, 2016.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

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

<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 Benefits Policies	2	Yes

**Opinion**

In our opinion, Mann Children and Families 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, 2016.

**Patel & Associates, LLP**  
**Certified Public Accountants**

*Patel & Associates, LLP*

Oakland, California  
October 13, 2016

**MARIN CHILDREN AND FAMILIES COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

There were no findings reported in the current year.

**MARIN CHILDREN AND FAMILIES COMMISSION  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2016**

**FINDING 2015-001 - COMPLIANCE WITH INVESTMENT POLICY:**

**FINDING**

**STATUS**

***Condition:***

Implemented

As of June 30, 2015, the Commission's investments in medium-term notes was 47 percent of its total investments. This was not in compliance with the Commission investment policy which requires the investment in medium-term notes not to exceed 30 percent of its total investments.

Upon our inquiry, we were informed that the Commission's Investment Portfolio Manager overlooked the investment allocation limits while maintaining the Commission's portfolio. This resulted in non-compliance of Commission's investment policy.

The State Controller's Office (SCO), has completed its follow-up of audit findings in the **2014-2015** audit report. In accordance with Health and Safety Code section 130151 (e), the SCO contacted Marin Children and Families Commission on June 22, 2016, to follow up on the status of the corrective action plan to ensure that it was adopted and/or the finding was resolved. On June 22, 2016, the SCO received the corrective action plan and documentation to substantiate the resolution of the finding.