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

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

FOR THE YEAR ENDED JUNE 30, 2014

MARIN CHILDREN AND FAMILIES COMMISSION
JUNE 30, 2014

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Activities	11
GOVERNMENTAL FUND STATEMENTS:	
Balance Sheet	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliations Between the Government-wide Financial Statements and the Fund Financial Statements	14
Notes to Financial Statements	15-26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	27
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Change in Fund balance by Fund Source for First 5 California Funding	28
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>	29-30
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE	31-32
SCHEDULE OF FINDINGS AND RESPONSES	33
STATUS OF PRIOR YEAR FINDINGS	34

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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2014, 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.

Emphasis of Matter

As discussed in the notes to the basic financial statements, the Commission implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 9 and 27 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 6, 2014 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.

Palm & Associates, LLP
Oakland, California
October 6, 2014

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2014**

This section of Marin Children and Families Commission (the Commission)'s annual financial report presents management's discussion and analysis of the Commission's financial performance during the year ended in June 30, 2014. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission received \$1,652,331 in tax revenues compared to \$1,673,615 received in the prior fiscal year, a decrease of \$21,284 or 1%.
- The Commission had expenses totaling \$1,633,473 for the fiscal year ended June 30, 2014, which is an increase of \$21,642 or 1% compared to \$1,611,831 for the fiscal year ended June 30, 2013.
- The Commission's total assets increased from \$5,199,179 as of June 30, 2013 to \$5,340,224 as of June 30, 2014 by \$141,045 or 3%. The increase is due to a reduction of expenses in the previous year in conjunction with higher tobacco tax revenues than anticipated in the current year resulting in a cash surplus that was transferred from the operating account to the investment fund.
- The Commission's total liabilities increased from \$249,252 as of June 30, 2013 to \$264,032 as of June 30, 2014 by \$14,780 or 6%. This increase can be explained largely by the increase in contracts payable due for the fourth quarter as compared to the prior 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 statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These three components are described below:

Basic Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business. The statements provide both short-term and long-term information about the Commission's financial position, which assists in evaluating the economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include two statements:

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2014**

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 assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the Commission's net position changed during 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. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

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

Fund Financial Statements

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

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

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

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

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2014**

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

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

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

Government-Wide Financial Statements Analysis

As noted earlier, net assets may serve over time as a useful indicator of a governmental organization’s financial position. In the case of the Commission, assets exceeded liabilities by \$5,076,192 at the end of the year.

	<u>NET POSITION</u>		
	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Assets:			
Current and other assets	\$ 5,340,224	\$ 5,199,179	\$ 3%
Total assets	<u>5,340,224</u>	<u>5,199,179</u>	<u>3%</u>
Liabilities:			
Current liabilities	238,333	220,702	8%
Non current liabilities	25,699	28,550	(10%)
Total liabilities	<u>264,032</u>	<u>249,252</u>	<u>6%</u>
Net position:			
Total net position	\$ <u><u>5,076,192</u></u>	\$ <u><u>4,949,927</u></u>	\$ <u><u>3%</u></u>

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2014**

The Commission's net position of \$5,076,192 as of June 30, 2014 increased by \$126,265 or 3% compared with the prior year.

The Commission's total assets increased from \$5,199,179 as of June 30, 2013 to \$5,340,224 as of June 30, 2014 by \$141,045 or 3%. This increase is primarily due to the transfer of funds from the operating account to the investment fund as noted above.

Noncurrent liabilities decreased by 10% primarily due to the decrease in compensated absences resulting from net staffing changes.

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, 2014 with 2013.

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Revenues:			
Program revenue			
Tax revenue	\$ 1,652,331	\$ 1,673,615	(1%)
Other State revenue	54,471	44,699	22%
	<u>1,706,802</u>	<u>1,718,314</u>	<u>(1%)</u>
General revenue			
Interest and investment income	52,936	57,831	(8%)
Other income		1,750	(100%)
	<u>52,936</u>	<u>59,581</u>	<u>(11%)</u>
Total revenues	<u>1,759,738</u>	<u>1,777,895</u>	<u>(1%)</u>
Expenses:			
Program and services	1,387,545	1,391,768	-0-
Evaluation	136,276	139,419	(2%)
General administration	109,652	80,644	36%
Total expenses	<u>1,633,473</u>	<u>1,611,831</u>	<u>1%</u>
Changes in net position:	126,265	166,064	(24%)
Net position – beginning	<u>4,949,927</u>	<u>4,783,863</u>	<u>3%</u>
Net position – ending	<u>\$ 5,076,192</u>	<u>\$ 4,949,927</u>	<u>3%</u>

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2014**

Revenues

The Commission received total revenues of \$1,759,738 during fiscal year ended June 30, 2014, which was a decrease of \$18,157 or 1% compared with the prior year's total revenues of \$1,777,895. There is no significant change in revenue noted.

Tobacco Tax Revenues

Unrestricted tobacco tax revenue decreased from \$1,673,615 in FY 2012-2013 to \$1,652,331 in FY 2013-2014, a decrease of \$21,284 or 1%. There is no significant change noted.

Interest Income and Total Return on Investments

During the year ended June 30, 2014, the Commission earned \$177,492 interest from LAIF, Investment Interest, county Pool and SMIF. Interest income increased \$6,271 or 4% compared to \$171,221 earned in the prior year due to market conditions. The total return on investments for the year ended June 30, 2014 was \$52,936 as compared with \$57,831 recorded in the prior fiscal year, resulting in a decrease of \$4,895 of less than 1%.

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 \$1,633,473 in FY 2013-2014 compared to \$1,611,831 in the previous fiscal year. This is an overall increase in expenses of \$21,462 or 1%. There is no significant change noted.

Initiative/Program Grants

The Initiative/Program grants actual expenses increased less than 1% from the previous year. No significant change noted.

Salaries and Benefits

Salary and benefits expense decreased by 16% in FY 2013-2014. The Commission reorganized staff positions.

**MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2014**

Other Potentially Significant Matters

The State projects a continuing decrease of State Tax Allocations revenue and decrease in the share allocated to the Commission due to decline in tobacco consumption for a projected annual revenue decrease estimated at 6% a year through FY 2014-2015.

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, 2014**

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments (Note 3)	\$ 5,007,703
Accounts receivable (Note 4)	<u>328,657</u>
Total current assets	<u>5,336,360</u>
Noncurrent assets:	
Deposit	<u>3,864</u>
Total noncurrent assets	<u>3,864</u>
Total assets	<u>5,340,224</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	7,896
Contracts payable (Note 5)	188,849
Contracts payable - related parties (Note 5)	<u>41,588</u>
Total current liabilities	<u>238,333</u>
Noncurrent liabilities:	
Compensated absences	<u>25,699</u>
Total noncurrent liabilities	<u>25,699</u>
Total liabilities	<u>264,032</u>
Net position:	
Unrestricted	<u>5,076,192</u>
Total net position	<u>\$ 5,076,192</u>

The accompanying notes are an integral part of these financial statements

**MARIN CHILDREN AND FAMILIES COMMISSION
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Program Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expenses)/ Revenue and Changes in Net Assets</u>
Primary government:			
Governmental activities:			
Partnership for change	\$ 808,406	\$ 716,202	\$ (92,204)
Grassroot capacity building	165,543	344,169	178,626
Public education	167,915	213,193	45,278
Public policy advocacy	245,681	261,153	15,472
Evaluation	136,276	89,468	(46,808)
General administration	<u>109,652</u>	<u>82,617</u>	<u>(27,035)</u>
Total primary government	\$ <u>1,633,473</u>	\$ <u>1,706,802</u>	<u>73,329</u>
General revenues:			
Investment income			<u>52,936</u>
Total general revenues			<u>52,936</u>
Change in net position			126,265
Net position, beginning of year			<u>4,949,927</u>
Net position, end of year			\$ <u><u>5,076,192</u></u>

The accompanying notes are an integral part of these financial statements

**MARIN CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014**

		Total Governmental Fund
Assets:		
Cash and investments (Note 3)	\$	5,007,703
Accounts receivable (Note 4)		328,657
		328,657
Total assets	\$	5,336,360
Liabilities:		
Accounts payable and other accrued expenses	\$	7,896
Contracts payable (Note 5)		188,849
Contracts payable - related parties (Note 5)		41,588
		238,333
Total liabilities		238,333
Deferred Inflows of Resources		
Deferred revenue		26,451
		26,451
Fund balance:		
Committed:		
Program contracts allocations		1,386,837
Stabilization fund		750,000
Assigned:		
Local initiatives and program sustainability		2,934,739
		2,934,739
Total fund balance		5,071,576
Total liabilities, deferred inflows of resources and fund balance	\$	5,336,360

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Total Governmental Fund</u>
Revenues:	
Tax revenue	\$ 1,652,331
Child Signature program	50,455
Investment income	52,936
	1,755,722
Expenditures:	
Current:	
Contracts and initiatives	932,484
Salaries and employee benefits	344,479
Professional services	144,130
Rent and occupancy	130,122
Supplies	12,850
Investment fees	12,399
Equipment rental and maintenance	9,383
Insurance	8,371
Contingency fund	7,979
Travel and conferences	6,947
Telephone	6,017
Printing	5,797
Dues and subscriptions	4,063
Meetings	3,232
Capital expenditure	2,728
Postage and shipping	1,207
	1,632,188
Total expenditures	1,632,188
Surplus of revenues over expenditures	123,534
Net change in fund balance	123,534
Fund balance, beginning of year	4,948,042
Fund balance, end of year	\$ 5,071,576

The accompanying notes are an integral part of these financial statements

**MARIN CHILDREN AND FAMILIES COMMISSION
RECONCILIATIONS BETWEEN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND THE FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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

	<u>Total Governmental Fund</u>
Fund balance - total governmental funds	\$ 5,071,576
Amounts reported for governmental activities in the Statement of Net Position are different because:	
As the focus of governmental fund is on short-term financing, some assets will not be available to pay current expenditures. Those assets (receivables) are offset by deferred revenue in the governmental funds.	26,451
Deposit used in governmental activities is not current financial resources and therefore is not reported in the funds.	3,864
Long-term liability compensated absences, is not due and payable in the current period and therefore is not reported in the funds.	<u>(25,699)</u>
Net position of governmental activities	\$ <u><u>5,076,192</u></u>

**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 funds	\$ 123,534
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report security deposit as expenditures. However, in the statement of activities, this is not reported as an expense.	(4,136)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	4,016
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>2,851</u>
Change in net position of governmental activities	\$ <u><u>126,265</u></u>

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: DESCRIPTION OF THE REPORTING ENTITY

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measure Focus, Basis of Presentation, and Financial Statement Presentation

The Commission has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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. Net position is reported in three categories.

- *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.

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

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, 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, 2014, the Commission had one major revenue source, the California Children and Families Commission, which accounted for approximately 94% of the total revenue of the Commission.

Capital Assets

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

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Commission. Paid personal time off is available to any permanent employee after successfully completing six months of work. Hours will accumulate according to the schedule and cannot exceed a maximum of 340 hours for any employee. The value of accumulated vacation benefits as of June 30, 2014 is \$25,699.

<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.

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

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 formal action of the Commission Board. Those committed amounts cannot be used for any other purpose unless the Commission Board removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts. The Commission establishes grants allocation amounts for specific program and/or recipient by formal Commission Board vote.
- **Assigned** – Includes amounts the Commission intends to be used for specific purposes that are neither restricted nor committed. The Commission identifies these amounts by adopting an annual budget and strategic plan. Authority is given to the Commission by Ordinance of the Marin County Board of Supervisors.
- **Unassigned** – Resources that cannot be reported in any other classifications.

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, 2014, 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 not later than at the June Commission meeting preceding the beginning of the next fiscal year. The Commission may revise the budget during the year to give consideration to any unanticipated revenues or expenditures.

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

Estimates

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

NOTE 3: CASH AND INVESTMENTS

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

Cash and cash deposits	\$	420,832
Deposit in County Pool		103,780
Investments		<u>4,483,091</u>
Total cash and investments	\$	<u>5,007,703</u>

Investments consisted of the following at June 30, 2014:

Money Market Funds	\$	54,422
State and Municipal Securities		3,570,785
Corporate Notes		759,758
Local Agency Investment Fund (LAIF)		<u>98,126</u>
Total investments	\$	<u>4,483,091</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	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposits	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
County pooled investment funds	N/A	None	None
LAIF	N/A	None	None
Joint powers authority pools (other investment pools)	N/A	None	None

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

<u>Investments:</u>	<u>Carrying Amount</u>	
LAIF	\$ 98,126	2%
Money Market Funds	54,422	1%
California St GO Bonds	3,519,734	79%
Wyoming Cmnty Dev Auth Bond	51,051	1%
Anheuser Busch Cos Inc NT	56,774	1%
General Elec CAP Corp	255,790	6%
JP Morgan Chase & Co Sub Nt	81,965	2%
Merrill Lynch & Co Inc Sub NT	109,523	2%
Pitney Bowes Inc NT	52,109	1%
Wells Fargo Co Mtn Sr Nt	203,597	5%
	<u>\$ 4,483,091</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, 2014 the Commission had the following investments:

	<u>Interest Rates (%)</u>	<u>Maturities</u>	<u>Carrying Value</u>
LAIF	0.22	On demand	\$ 98,126
Money Market Funds		On demand	54,422
California St GO Bonds	3.30 – 5.95	09/2014-09/2018	3,519,734
Wyoming Cmnty Dev Auth Bond	2.00	12/01/2015	51,051
Anheuser Busch Cos Inc NT	5.60	03/01/2017	56,774
General Elec CAP Corp	4.75	09/15/2014	255,790
JP Morgan Chase & Co Sub Nt	5.125	09/15/2014	81,965
Merrill Lynch & Co Inc Sub NT	6.05	05/16/2016	109,523
Pitney Bowes Inc NT	5.00	03/15/2015	52,109
Wells Fargo Co Mtn Sr Nt	3.75	10/01/2014	203,597
Total investments			<u>\$ 4,483,091</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, 2014.

	Interest and Dividends	Total of Realized and Unrealized Gain/(Loss) on Investments	Total Return on Investments
Deposits and investments	\$ <u>177,492</u>	\$ <u>(124,556)</u>	\$ <u>52,936</u>
Total investment income	\$ <u><u>177,492</u></u>	\$ <u><u>(124,556)</u></u>	\$ <u><u>52,936</u></u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2014:

Due from other governments:	
First 5 California – Prop 10 revenue	\$ 301,709
First 5 California – Child signature program	26,451
Other receivables	<u>497</u>
	<u>\$ 328,657</u>

NOTE 5: CONTRACTS PAYABLE

At June 30, 2014, contracts payable consisted of the following:

10,000 Degrees/Marin Kids	\$ 31,797
City of San Rafael/ Child Care	22,379
Community Action Marin	10,000
Jewish Family & Children Services	12,500
Marin County Free Library	2,336
Marin County of Education	26,451
Marin Child Care Council	62,061
Novato Youth Center	5,426
Parent Services Project	4,612
Partnership Healthplan of California	2,958
San Geronimo Valley Community Center	5,371
Other payables	<u>2,958</u>
Contracts payable	\$ 188,849
M/C Dept. of Health & Human Services – Children's Health	<u>41,588</u>
Contract payable – related party	<u>41,588</u>
Total contracts payable	<u>\$ 230,437</u>

NOTE 6: EMPLOYEE RETIREMENT PLAN

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their annual covered salary. The Commission is required to contribute an actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The current rate is 10.553% for employers. The contribution requirements are established by State statute and the contribution rates of plan members and the Commission are established and may be amended by PERS.

For fiscal year 2014, the Commission's annual pension cost of \$29,553 for PERS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included:

1. 7.5% investment rate of return (net of administrative expenses),
2. 3.3% to 14.2% projected annual salary increases depending on age, service, and type of employment,
3. 2.75% inflation rate cost-of-living adjustment, and
4. 3% payroll growth

Actuarially Determined Contribution Requirements and Funding Process

PERS uses the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued. According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities.

Schedule of Funding Progress

The Plan's actuarial value (which differs from market value) and funding progress at actuarial valuation date of June 30, 2011 is as below:

Valuation Date	Accrued Liability	Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio		Annual Covered Payroll
				AVA	MVA	
6/30/11	\$751,026	\$682,202	\$610,661	90.8%	81.3%	\$327,720

As the Commission has less than 100 employees, it is a part of the State-wide risk pool.

Miscellaneous Plan – State-Wide Pool

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as a % of Payroll
6/30/09	\$3,104,798,222	\$2,758,511,101	\$346,287,121	88.9%	\$742,981,488	46.6%
6/30/10	\$3,309,064,934	\$2,946,408,106	\$362,656,828	89.0%	\$748,401,352	48.5%
6/30/11	\$3,619,835,876	\$3,203,214,899	\$416,620,977	88.5%	\$759,263,518	54.9%

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$30,919	100%	\$ 0
6/30/13	\$34,572	100%	\$ 0
6/30/14	\$29,553	100%	\$ 0

NOTE 7: FUND BALANCE

Fund balance of general fund as of June 30, 2014 is comprised of the following:

Committed to:	
Commission for program contracts	\$ 1,386,837
Stabilization fund	750,000
Assigned to:	
Local initiatives & program sustainability	<u>2,934,739</u>
	<u>\$ 5,071,576</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, 2014, the Commission entered into a new lease agreement for office space under a noncancelable operating lease. The lease will expire in October 2017. For the year ended June 30, 2014, total rent paid was \$134,258 which included onetime settlement amount of \$77,000 and forfeiture of security deposit of \$8,000 for the cancellation of old office lease. The future minimum operating lease payments for this lease is as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2015	\$ 47,292
2016	48,711
2017	50,173
2018	<u>16,888</u>
Total	\$ <u>163,064</u>

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, 2014, the following related organizations received funding through the Commission.

<u>Organization</u>	<u>Related Party Expenditure</u>
Marin County – Dept. of Health & Human Services	\$ 145,000
Venetia Valley Elementary	<u>25,000</u>
Total	\$ <u>170,000</u>

As of June 30, 2014, outstanding related party transaction account balance pertains to contracts payable amounting to \$41,588.

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 \$136,276 on program evaluation during year ended June 30, 2014.

NOTE 13: EVALUATION OF SUBSEQUENT EVENTS

The management of the Commission reviewed the results of operations for the period of time from its year end June 30, 2014 through October 6, 2014 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
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax revenue	\$ 1,563,027	\$ 1,563,027	\$ 1,652,331	\$ 89,304
Child Signature program	52,000	52,000	50,455	(1,545)
Interest and investment income	1,500	59,500	52,936	(6,564)
Total revenues	<u>1,616,527</u>	<u>1,674,527</u>	<u>1,755,722</u>	<u>81,195</u>
EXPENDITURES:				
Contracts and initiatives	1,298,251	1,298,251	932,484	365,767
Salaries and employee benefits	322,160	404,517	344,479	60,038
Professional services	158,336	158,336	144,130	14,206
Rent and occupancy	103,039	117,870	130,122	(12,252)
Supplies	2,910	2,910	12,850	(9,940)
Investment fees		12,000	12,399	(399)
Equipment rental and maintenance	10,232	10,232	9,383	849
Insurance	7,521	7,521	8,371	(850)
Contingency fund	50,000	50,000	7,979	42,021
Travel and conferences	11,140	11,743	6,947	4,796
Telephone	4,176	4,176	6,017	(1,841)
Printing	12,000	12,000	5,797	6,203
Dues and subscriptions	5,460	5,460	4,063	1,397
Meetings	1,797	1,797	3,232	(1,435)
Capital expenditure	2,000	2,000	2,728	(728)
Postage and shipping	1,478	1,478	1,207	271
Total expenditures	<u>1,990,500</u>	<u>2,100,291</u>	<u>1,632,188</u>	<u>468,103</u>
Surplus/deficit of revenues over expenditures	<u>(373,973)</u>	<u>(425,764)</u>	<u>123,534</u>	<u>549,298</u>
Net change in fund balance	<u>\$ (373,973)</u>	<u>\$ (425,764)</u>	<u>\$ 123,534</u>	<u>\$ 549,298</u>

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
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>F5CA Child Signature Program</u>
REVENUES:	
Current:	
Program revenues	\$ <u>50,455</u>
Total revenues	<u>50,455</u>
EXPENDITURES:	
Current:	
Program expenditures	<u>54,471</u>
Total expenditures	<u>54,471</u>
Change in net assets	(4,016)
Fund balance, beginning of year	<u>(22,435)</u>
Fund balance, end of year	\$ <u><u>(26,451)</u></u>

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

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

We have audited, 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, 2014, 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 6, 2014.

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. 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Pamela A. Aronowitz, CPA
Oakland, California
October 6, 2014

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, 2014.

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 Benefit Policies	2	Yes

Opinion

In our opinion, Marin 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, 2014.

Patricia A. Amundson, LLP
 Oakland, California
 October 6, 2014

**MARIN CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

There were no findings reported in the current year.

**MARIN CHILDREN AND FAMILIES COMMISSION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2014**

There were no findings reported in the prior year.