MARIN CHILDREN AND FAMILIES COMMISSION
(DBA FIRST 5 MARIN)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2015

Patel &
Associates, LLP
Certified Public Accountants

MARIN CHILDREN AND FAMILIES COMMISSION
JUNE 30, 2015

TABLE OF CONTENTS

Patel &
Associates, LLP
Certified Public Accountants

266 17th Street, Suite 200
Oakland, California 94612-4124

Telephone: (510) 452-5051
Fax: (510) 452-3432
e-mail: rpatel@patelcpa.com

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, 2015, 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, 2015, 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

Implementation of New Accounting Standards

As disclosed in the Note 2 to the financial statements, the Commission implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* during the fiscal year 2015.

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 4 through 8, Budgetary Comparison Information on page 31, Schedule of the Commission's Proportionate Share of the Net Pension Liability on Page 32 and Schedule of the Commission's Contributions on page 33 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 7, 2015 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.

Pisenti & Brinker, LLP
Oakland, California
October 7, 2015

MARIN CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2015

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, 2015. Please read in conjunction with the Commission's basic financial statements and accompanying notes.

Financial Highlights

- The Commission received $1,567,188 in tax revenues compared to $1,652,331 received in the prior fiscal year, a decrease of $85,143 or 5%.
- The Commission had expenses totaling $1,484,605 for the fiscal year ended June 30, 2015, which is a decrease of $148,868 or 9% compared to $1,633,473 for the fiscal year ended June 30, 2014.
- The Commission's total assets increased from $5,340,224 as of June 30, 2014 to $5,510,941 as of June 30, 2015 by $170,717 or 3%. The increase is due to a reduction in expenses and higher tax revenues in the current Year than anticipated in our budget.
- The Commission's total liabilities increased from $264,032 as of June 30, 2014 to $430,215 as of June 30, 2015 by $166,183 or 63%. This increase is mainly due to reporting of net pension liability, as required under Governmental Accounting Standards Board (GASB) Statement no. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*".
- During the year ended June 30, 2015, the Commission implemented GASB Statement no. 68 which requires the Commission to record and report unfunded pension liability on government wide financial statements. As a result of this implementation, a liability for $221,116 for unfunded pension was recorded as a prior period adjustment to opening net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These three components are described below:

Basic Financial Statements

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

Government-Wide Financial Statements

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

The statement of net 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.

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 $5,047,477 at the end of the year.

NET POSITION

	2015	2014	Percentage Change
Assets:			
Current and other assets	$ 5,510,941	$ 5,340,224	$ 3%
Total assets	5,510,941	5,340,224	3%
Deferred outflows of resources	30,329		
Liabilities:			
Current liabilities	237,673	238,333	0%
Non current liabilities	192,542	25,699	649%
Total liabilities	430,215	264,032	63%
Deferred outflows of resources	63,578		
Net position:			
Total net position	$ 5,047,477	$ 5,076,192	$ (1%)

The Commission's net position of $5,047,477 as of June 30, 2015 decreased by $28,715 or 1% compared with the prior year.

The Commission's total assets increased from $5,340,224 as of June 30, 2014 to $5,510,941 as of June 30, 2015 by $170,717 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 $166,843 or 649% primarily due to reporting of net pension liabilities as required by GASB Statement no. 68.

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, 2015 with 2014.

	2015	2014	Percentage Change
Revenues:			
Program revenue:			
Tax revenue	$ 1,567,188	$ 1,652,331	(5%)
Other State revenue	58,329	54,471	7%
	1,625,517	1,706,802	(5%)
General revenue:			
Interest and investment income	22,842	52,936	(57%)
	22,842	52,936	(57%)
Total revenues	1,648,359	1,759,738	(6%)
Expenses:			
Program and services	1,283,219	1,387,545	(8%)
Evaluation	124,340	136,276	(9%)
General administration	77,046	109,652	(30%)
Total expenses	1,484,605	1,633,473	(9%)
Changes in net position:	163,754	126,265	30%
Net position – beginning, as restated	4,883,723	4,949,927	(1%)
Net position – ending	$ 5,047,477	$ 5,076,192	(1%)

Revenues

The Commission received total revenues of $1,648,359 during fiscal year ended June 30, 2015, which was a decrease of $111,379 or 6% compared with the prior year's total revenues of $1,759,738. The decrease in tobacco revenues in the current fiscal year more closely approximated our projections, and our unrealized losses on investments were slightly higher in the current fiscal year.

Tobacco Tax Revenues

Unrestricted tobacco tax revenue decreased from $1,652,331 in FY 2013-2014 to $1,567,188 in FY 2014-2015, a decrease of $85,143 or 5%.

Interest Income and Total Return on Investments

During the year ended June 30, 2015, the Commission earned $200,114 interest from LAIF, Investment Interest, county Pool and SMIF. Interest income increased $22,622 or 13% compared to $177,492. However, there was an increase of $42,767 in unrealized losses from $125,057 in FY2013-2014 to $167,824 in FY 2014-2015. There was also an increase of $9,950 in realized losses from prior year. All this resulted in net decrease of $30,095 in total return on investments from $52,936 in FY 2013-2015 to $22,842 in FY2014-2015.

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 $1,484,605 in FY 2014-2015 compared to $1,633,473in the previous fiscal year. This is a decrease in expenses of $148,868 or 9%. The decrease is due to a reduction in hours for the Finance Manager, lower than budgeted contract payments, and slower roll-out of new initiatives.

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. In addition, there are significant efforts to increase tobacco taxes in the coming year, which, even with backfill for Prop 10, will 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, 2015

		Governmental Activities
Assets:		
Current assets:		
Cash and investments (Note 3)	$	5,212,175
Accounts receivable (Note 4)		294,902
Total current assets		5,507,077
Noncurrent assets:		
Deposit		3,864
Total noncurrent assets		3,864
Total assets		5,510,941
Deferred Outflows of Resources:		
Deferred pensions		30,329
Total deferred outflows of resources		30,329
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses		7,183
Contracts payable (Note 5)		182,419
Contracts payable - related parties (Note 5)		48,071
Total current liabilities		237,673
Noncurrent liabilities:		
Compensated absences		29,560
Net pension liability		162,982
Total noncurrent liabilities		192,542
Total liabilities		430,215
Deferred Inflows of Resources:		
Deferred pensions		63,578
Total deferred inflows of resources		63,578
Net position:		
Unrestricted		5,047,477
Total net position	$	5,047,477

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, 2015

Functions/Programs	Program Expenses	Program Revenues: Operating Grants and Contributions	Net (Expenses)/ Revenue and Changes in Net Assets
Primary government:			
Governmental activities:			
Partnership for change	$ 725,977	$ 465,799	$ (260,178)
Grassroot capacity building	75,967	344,781	268,814
Public education	130,784	266,422	135,638
Public policy advocacy	350,491	376,125	25,634
Evaluation	124,340	94,031	(30,309)
General administration	77,046	78,359	1,313
Total primary government	$ 1,484,605	$ 1,625,517	140,912
General revenues:			
Investment income			22,842
Total general revenues			22,842
Change in net position			163,754
Net position, beginning of year, as restated (Note 11)			4,883,723
Net position, end of year			$ 5,047,477

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015

		Total Governmental Fund
Assets:		
Cash and investments (Note 3)	$	5,212,175
Accounts receivable (Note 4)		294,902
Total assets	$	5,507,077
Liabilities:		
Accounts payable and other accrued expenses	$	7,183
Contracts payable (Note 5)		182,419
Contracts payable - related parties (Note 5)		48,071
Total liabilities		237,673
Deferred Inflows of Resources		
Unavailable revenue		32,575
Fund balance:		
Committed:		
Program contracts allocations		1,320,492
Stabilization fund		750,000
Assigned:		
Local initiatives and program sustainability		3,166,337
Total fund balance		5,236,829
Total liabilities, deferred inflows of resources and fund balance	$	5,507,077

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
YEAR ENDED JUNE 30, 2015

		Total Governmental Fund
Revenues:		
Tax revenue	$	1,567,188
Child Signature program		52,205
Investment income		22,842
Total revenues		1,642,235
Expenditures:		
Current:		
Contracts and initiatives		853,032
Salaries and employee benefits		396,716
Professional services		120,165
Rent and occupancy		47,292
Supplies		8,173
Investment fees		13,417
Equipment rental and maintenance		8,921
Insurance		8,082
Travel and conferences		6,268
Telephone		5,133
Printing		1,961
Dues and subscriptions		4,819
Meetings		1,455
Postage and shipping		1,099
Events		449
Total expenditures		1,476,982
Surplus of revenues over expenditures		165,253
Net change in fund balance		165,253
Fund balance, beginning of year		5,071,576
Fund balance, end of year	$	5,236,829

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, 2015

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

			Total Governmental Fund
Fund balance - total governmental funds		$	5,236,829
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.			32,575
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds			30,329
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds			(63,578)
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	$ (29,560)		
Net pension liabilities	(162,982)		(192,542)
Net position of governmental activities		$	5,047,477

MARIN CHILDREN AND FAMILIES COMMISSION
RECONCILIATIONS BETWEEN THE GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND THE FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

		Total Governmental Fund
Net change in fund balance - total governmental funds		$ 165,253
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.		6,124
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	30,329	
Cost of benefits earned net of employee contributions	(34,091)	(3,762)
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		(3,861)
Change in net position of governmental activities		$ 163,754

The accompanying notes are an integral part of these financial statements

MARIN CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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.

Implementation of New Accounting Pronouncements

During the year ended June 30, 2015, the Commission implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As a result of this implementation, opening net position was restated to reflect the prior period costs related to the implementation of the net pension liability.

Concentration of Revenue Sources

During the year ended June 30, 2015, the Commission had one major revenue source, Prop 10 Tobacco surplus funds, 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.

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, 2015 is $29,560.

Year of Service	Hourly Standard Accrual	Maximum Vacation (Days/Year)
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.

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 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, 2015, 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	$	615,514
Deposit in County Pool		104,037
Investments		4,492,624
Total cash and investments	$	5,212,175

Investments consisted of the following at June 30, 2015:

Money Market Funds	$	69,051
State and Municipal Securities		2,198,413
Corporate Notes		2,126,794
Local Agency Investment Fund (LAIF)		98,366
Total investments	$	4,492,624

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

Authorized investment type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local agency bonds	5 years	None	None
U.S. 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

MARIN CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the Commission has following investments:

Investments:	Carrying Amount	
LAIF	$ 98,366	2%
Money Market Funds	69,051	1%
California St GO Bonds	2,148,073	48%
Wyoming Cmnty Dev Auth Bond	50,340	1%
American Honda Fin Corp MTN NT	115,631	3%
Anheuser Busch Cos Inc NT	214,469	5%
Berkshire Hathaway Fin Corp SR GLBL	101,278	2%
Berkshire Hathaway Inc Del Sr NT	127,946	3%
Caterpillar Inc Del SR GLBL	69,987	2%
Colgate Palmolive Co MTNS NT	126,704	3%
Costco Whls Corp New SR NT	109,174	2%
Disney Walt Co Mtns FR	107,441	2%
GE Capital Internotes Fr	117,838	3%
JP Morgan Chase & Co Sub Nt	155,348	3%
Merrill Lynch & Co Inc Sub NT	104,596	2%

MARIN CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Investments:	Carrying Amount	
Simon PPTY Group LP SR NT	$ 72,470	2%
Target Corp NT	162,110	4%
Wyeth Sr GLBL NT	109,059	2%
Wells Fargo Co Mtn Sr Nt	209,101	5%
BP Cap Mkts P L C NT	116,735	3%
Conocophillips CDA FDG Co SR GLBL	106,907	2%
	$ 4,492,624	100%

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, 2015 the Commission had the following investments:

	Interest Rates (%)	Maturities	Carrying Value
LAIF	0.28	On demand	$ 98,366
Money Market Funds		On demand	69,051
California St GO Bonds	3.30 – 5.95	10/2015-09/2018	2,148,073
Wyoming Cmnty Dev Auth Bond	2.00	12/01/2015	50,340
American Honda Fin Corp MTN NT	1.125	10/07/2016	115,631
Anheuser Busch Cos Inc NT	5.05-5.60	10/2016-03/2017	214,469
Berkshire Hathaway Fin Corp SR GLBL	1.60	05/15/2017	101,278
Berkshire Hathaway Inc Del Sr NT	1.90	01/31/2017	127,946
Caterpillar Inc Del SR GLBL	5.70	08/15/2016	69,987
Colgate Palmolive Co MTNS NT	1.30	01/15/2017	126,704
Costco Whls Corp New SR NT	5.50	03/15/2017	109,174
Disney Walt Co Mtns FR	5.625	09/15/2016	107,441
GE Capital Internotes Fr	5.75	08/15/2016	117,838
JP Morgan Chase & Co Sub Nt	3.15	07/05/2016	155,348
Merrill Lynch & Co Inc Sub NT	6.05	05/16/2016	104,596
Simon PPTY Group LP SR NT	2.80	01/30/2017	72,470
Target Corp NT	5.875	07/15/2016	162,110
Wyeth Sr GLBL NT	5.45	04/01/2017	109,059
Wells Fargo Co Mtn Sr Nt	5.75	05/16/2016	209,101
BP Cap Mkts P L C NT	1.846	05/05/2017	116,735
Conocophillips CDA FDG Co SR GLBL	5.625	10/15/2016	106,907
Total investments			$ 4,492,624

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, 2015.

	Interest and Dividends	Total of Realized and Unrealized Gain/(Loss) on Investments	Total Return on Investments
Deposits and investments	$ 200,114	$ (177,272)	$ 22,842
Total investment income	$ 200,114	$ (177,272)	$ 22,842

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2015:

Due from other governments:	
Prop 10 revenue	$ 262,327
First 5 California – Child signature program	32,575
	$ 294,902

NOTE 5: CONTRACTS PAYABLE

At June 30, 2015, contracts payable consisted of the following:

10,000 Degrees/Marin Kids	$ 60,794	
City of San Rafael/ Child Care	19,822	
Jewish Family & Children Services	12,531	
Marin County Free Library	57	
Marin County of Education	32,574	
Marin Child Care Council	25,000	
Novato Youth Center	3,589	
Parent Services Project	11,058	
San Geronimo Valley Community Center	5,871	
Other payables	11,123	
Contracts payable		$ 182,419
M/C Dept. of Health & Human Services – Children's Health	48,071	
Contract payable – related party		48,071
Total contracts payable		$ 230,490

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. For the measurement period ended June 30, 2014, the active employee contribution rate is 6.891 percent of annual pay, and the average employer's contribution rate is 10.553 percent of annual payroll.

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

As of June 30, 2015, the Commission reported net pension liabilities of $162,982 for its proportionate shares of the net pension liability of the Plan.

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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

		Amount
Proportion – June 30, 2013	$	221,116
Proportion – June 30, 2014	$	162,982

For the year ended June 30, 2015, the Commission recognized pension expense of $30,329. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 30,329	$
Net Difference between Projected and Actual Earnings on Pension Plan Investments		(53,516)
Adjustment due to Differences in Proportions		(10,062)
	$ 30,329	$ 63,578

$30,329 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	Deferred Outflows/(Inflows) of Resources
2016	$ (16,973)
2017	(16,973)
2018	(16,253)
2019	(13,379)
2020	-0-

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 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	7.50%
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

Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 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 7.50 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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.

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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 *	Real Return Years 11+@
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(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 7.50 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 (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	$287,963	$162,982	$59,259

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, 2015 is comprised of the following:

Committed to:		
Commission for program contracts	$	1,320,492
Stabilization fund		750,000
Assigned to:		
Local initiatives & program sustainability		3,166,337
	$	5,236,829

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, 2015, 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, 2015, total rent paid was $47,292. The future minimum operating lease payments for this lease are as follows:

Year ending June 30		Amount
2016	$	48,711
2017		50,173
2018		16,888
Total	$	115,772

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, 2015, the following related organizations received funding through the Commission.

Organization		Related Party Expenditure
Marin County – Dept. of Health & Human Services	$	147,175
Total	$	147,175

As of June 30, 2015, outstanding related party transaction account balance pertains to contracts payable amounting to $48,071.

NOTE 11 - RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCE

Restatement of Net position

The Commission's beginning net position was restated as follows:

Net position, July 1, 2014	$	5,076,192
Net pension liability adjustment		(192,469)
Net position, July 1, 2014 as restated	$	4,883,723

The Commission adopted GASB Statement No. 68 which an adjustment to opening net position to reflect the prior period costs related to the implementation of the net pension liability.

NOTE 12: 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 13: PROGRAM EVALUATION COSTS

The Commission spent $124,340 on program evaluation during year ended June 30, 2015.

NOTE 14: 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, 2015 through October 7, 2015 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, 2015

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Tax revenue	$ 1,473,000	$ 1,473,000	$ 1,567,188	$ 94,188
Child Signature program	52,000	52,000	52,205	205
Interest and investment income	59,000	59,000	22,842	(36,158)
Total revenues	1,584,000	1,584,000	1,642,235	58,235
EXPENDITURES:				
Contracts and initiatives	1,386,837	1,386,837	853,032	533,805
Salaries and employee benefits	381,625	381,625	396,716	(15,091)
Professional services	139,329	139,329	120,165	19,164
Rent and occupancy	46,365	46,365	47,292	(927)
Supplies	10,903	10,903	8,173	2,730
Investment fees	12,500	12,500	13,417	(917)
Equipment rental and maintenance	8,608	8,608	8,921	(313)
Insurance	8,622	8,622	8,082	540
Contingency fund	50,000	50,000		50,000
Travel and conferences	9,330	9,330	6,268	3,062
Telephone	6,705	6,705	5,133	1,572
Printing	3,841	3,841	1,961	1,880
Dues and subscriptions	5,024	5,024	4,819	205
Meetings	3,426	3,426	1,455	1,971
Capital expenditure	1,500	1,500		1,500
Postage and shipping	1,287	1,287	1,099	188
Event			449	(449)
Total expenditures	2,075,902	2,075,902	1,476,982	598,920
Surplus/deficit of revenues over expenditures	(491,902)	(491,902)	165,253	657,155
Net change in fund balance	$ (491,902)	$ (491,902)	$ 165,253	$ 657,155

MARIN CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2015

	6/30/2014
Proportion of the net pension liability	0.00262%
Proportionate share of the net pension liability	$162,982
Covered - employee payroll	$301,710
Proportionate Share of the net pension liability as percentage of covered-employee payroll	54.02%
Plan fiduciary net position as a percentage of the total pension liability	82.70%

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 June 30, 2013 as they have minimal cost impact.

Change in Assumptions: None

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown. Additional years will be presented as they become available.

MARIN CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2015

		2013-2014
Actuarially determined contribution	$	28,647
Contributions in relation to the actuarially determined contributions		(28,647)
Contribution deficiency (excess)	$	-0-
Covered-employee payroll	$	301,710
Contributions as a percentage of covered employee Payroll		9.49%

Notes to Schedule:

Valuation date:	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown. Additional years will be presented as they become available.

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, 2015

	F5CA Child Signature Program
REVENUES:	
Current:	
Program revenues	$ 52,205
Total revenues	52,205
EXPENDITURES:	
Current:	
Program expenditures	58,329
Total expenditures	58,329
Change in net assets	(6,124)
Fund balance, beginning of year	(26,451)
Fund balance, end of year	$ (32,575)

Patel & Associates, LLP
Certified Public Accountants

266 17th Street, Suite 200
Oakland, California 94612-4124

Telephone: (510) 452-5051
Fax: (510) 452-3432
e-mail: rpatel@patelcpa.com

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, 2015, 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 7, 2015.

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. We did identify certain deficiency in internal control described in the accompanying schedule of findings and responses listed as 2015-001 that we consider to be significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2015-001.

Commission's Response to Finding

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Pisenti & Brinker LLP (signature)

Oakland, California
October 7, 2015

Patel & Associates, LLP
Certified Public Accountants

266 17th Street, Suite 200
Oakland, California 94612-4124

Telephone: (510) 452-5051
Fax: (510) 452-3432
e-mail: rpatel@patelcpa.com

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, 2015.

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:

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

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, 2015.

Pisani & Associates, LLP
Oakland, California
October 7, 2015

MARIN CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

FINDING 2015-001

COMPLIANCE WITH INVESTMENT POLICY:

Criteria:
Government Code Section 53601 and the Commission Policy on investments require the Commission to invest its funds in certain specific investments up to a maximum limit allowed for such investments. The Commission's policy also requires a monthly review of the investments by management and a review by its Finance Committee in accordance with Government Code Sections 27130-27137.

Condition:
During our audit, we noted that 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 commission did not update the reporting portion of its investment policy to match the quarterly reporting by the bank. The lag in both reporting and review did not catch the non-compliance until after the investments had been made. A temporary exception from complying with the allocation limit has been allowed until these medium-term notes reach their maturities.

Effect:
The Commission was not in compliance with its investment policy. Investing in medium-term notes in excess of allowed 30 percent of its total investments increases the Commission's concentration risk.

Recommendation:
We recommend that the Commission should strengthen its review procedures for investments to ensure that its Investment Portfolio Manager complies with the Commission's investment policy in investing and maintaining the Commission's portfolio.

Management's Response:
Management agrees with the finding and did communicate with the bank concerning the non-compliance and their response is as follows:

The violation of the investment policy provision restricting corporate notes to no more than 30% of the portfolio appears to have resulted from an unintentional oversight by our manager. As portfolio managers, we know they try at all times to do what is best for the account. In focusing attention on credit rating and duration parameters, they clearly overlooked the allocation limits in search for the best yield with lowest risk meeting the rating and duration parameters. The manager has apologized for the mistake and will do whatever the commission decides to correct the deviation from policy.

In order to do so, we are faced with the decision to either sell down the current corporate notes to meet the investment policy parameters, or request a temporary exception until upcoming maturities allow us to correct the imbalance over time.

The commission decided to maintain the investments over the 30% mark to avoid actual losses, but has been clear with the bank that all future investments will be made in accordance with the investment policy. The commission will further amend its policy to a quarterly review. Management will ensure that members of the finance committee will receive the investment statements as they are received from the bank.

MARIN CHILDREN AND FAMILIES COMMISSION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2015

There were no findings reported in the prior year.