

**MONTEREY COUNTY  
CHILDREN AND FAMILIES COMMISSION**

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

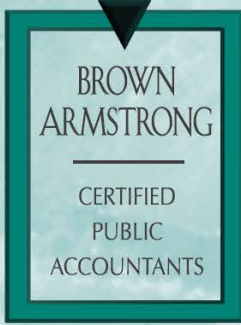
**FOR THE YEAR ENDED  
JUNE 30, 2017**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
JUNE 30, 2017**

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## **FINANCIAL SECTION**



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Monterey County Children and Families Commission  
Salinas, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Monterey County Children and Families Commission (the Commission), a component unit of the County of Monterey, California, as of and for the year ended June 30, 2017, 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 from 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission, as of June 30, 2017, 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 disclosed in Note 1 to the financial statements, during the year ended June 30, 2017, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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 3-7 and 21-22 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 changes 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 September 11, 2017, 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 *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Bakersfield, California  
September 11, 2017

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*

2 *Accountancy Corporation*

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2017**

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act established additional taxes on tobacco products, with revenues to be used for tobacco education and cessation programs, and for programs that promote, support, and improve the early development of children from the prenatal stage through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school able to succeed.

The Monterey County (County) Board of Supervisors created the Children and Families First Commission of Monterey County (Commission) on December 8, 1998, under the provisions of the Act. The Monterey County Children and Families Commission is a legally separate entity governed by a seven member Board of Commissioners appointed by the Monterey County Board of Supervisors. Because the Monterey County Board of Supervisors has final approval for appointment and removal of Commissioners, the County of Monterey Auditor-Controller's Office has designated the Commission as a "discretely presented component unit" of the County of Monterey and includes a summary of the Commission's basic financial statements in the County's basic financial statements.

In fiscal year 2016/2017, **First 5 Monterey County's** mission was to serve as a catalyst to create sustainable change in systems, policies, and practices that enrich the development of children in their first 5 years of life. The overall vision of this system is that all children reach their full potential in a family and community that values and respects childhood.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

**FINANCIAL HIGHLIGHTS**

The Commission was allocated and received revenues of \$4.1 million from the State of California as revenues collected under the Children and Families Act. During the fiscal year 2016-2017, the Commission disbursed approximately \$4.68 million in grant and direct program expenditures. The Commission also spent approximately \$1.7 million on evaluation and program/community support.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's financial statements are comprised of 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.

**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 *statement of net position* presents information on all of the Commission's assets and liabilities, with the differences between the two reported as net position.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2017**

The *statement of activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund Financial Statements** – The *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. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements.

The Commission adopts an annual budget for its fund. A budgetary comparison schedule has been provided for the fund to demonstrate compliance with the budget.

The fund financial statements can be found on pages 10 through 11 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 20 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies. The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the Commission's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the Commission's health, such as change in services, changes in the State's funding, and changes in the economy, etc. to assess the overall health of the Commission.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2017**

Changes in the Commission's net position were as follows:

<b>Net Position</b>				
<b>For the Year Ended June 30:</b>				
	2017	2016	Change	%
Current and other assets	\$ 12,135,884	\$ 13,715,455	\$ (1,579,571)	-12%
Capital assets - net	16,297	30,445	(14,148)	-46%
Total assets	12,152,181	13,745,900	(1,593,719)	-12%
Current liabilities	2,285,779	2,343,263	(57,484)	-2%
Non-current liabilities	66,194	70,431	(4,237)	-6%
Total liabilities	2,351,973	2,413,694	(61,721)	-3%
Net position				
Net investment in capital assets	13,155	23,113	(9,958)	-43%
Restricted	450,000	200,000	250,000	125%
Unrestricted	9,337,053	11,109,093	(1,772,040)	-16%
Total net position	\$ 9,800,208	\$ 11,332,206	\$ (1,531,998)	-14%

The decrease in total assets of \$1,593,719 reflects the Commission's planned use of its reserves to maintain program expenditures.

Total liabilities decreased by \$61,721 primarily as a result of lower year-end accruals reflecting the fourth quarter activities.

The \$9,958 decrease in net investment in capital assets was due to continued depreciation of the Commission's fixed assets (excluding capital lease).

The decrease in net position by \$1,531,998 for the year ended June 30, 2017 reflects the Commission's planned use of its reserves to maintain program expenditures. The restricted portion of net position was \$450,000 which reflects items for which an external enforceable limitation exists.



**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2017**

**Governmental Activities  
For the Year Ended June 30:**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%</u>
Program revenues:				
Proposition 10 allocation	\$ 4,146,574	\$ 4,529,872	\$ (383,298)	-8%
State grants	312,999	114,934	198,065	172%
Foundation grants	950,000	715,000	235,000	33%
Other revenue	<u>103,427</u>	<u>10,154</u>	<u>93,273</u>	<u>919%</u>
	<u>5,513,000</u>	<u>5,369,960</u>	<u>143,040</u>	<u>3%</u>
General revenues:				
Investment income	<u>115,392</u>	<u>113,669</u>	<u>1,723</u>	<u>2%</u>
Total revenues	<u>\$ 5,628,392</u>	<u>\$ 5,483,629</u>	<u>\$ 144,763</u>	<u>3%</u>

The State grants line reflects revenue from the First 5 IMPACT Grant. This five year program was awarded to the Commission in July 2015. The Foundation grants line reflects revenue from the Monterey County Health Department, the David and Lucile Packard Foundation, and the Monterey Peninsula Foundation.

Investment income shows an increase due to an increase in interest rates from last fiscal year.

Changes in the Commission's expense were as follows:

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%</u>
Expenses				
Program and services	\$ 6,084,993	\$ 6,233,368	\$ (148,375)	-2%
Evaluation	331,516	667,854	(336,338)	-50%
Administration and interest	<u>743,502</u>	<u>692,179</u>	<u>51,323</u>	<u>7%</u>
Total expenses	<u>\$ 7,160,011</u>	<u>\$ 7,593,401</u>	<u>\$ (433,390)</u>	<u>-6%</u>

Program and services shows a decrease of \$148,375 due to a decrease in requested sponsorships and a decrease in budget and spending for the Bright Beginnings/ECDI Program in FY 16/17.

The evaluation expense decrease of \$336,338 is mainly attributable to the contracted evaluator's timing of scheduled work including the Kindergarten Readiness Assessment (KRA). The KRA is implemented every three years, and the additional expense for its implementation occurred in FY 15/16.

The administration and interest expense increase of \$51,323 is mainly attributable to Cost of Living Adjustments (COLAs) and inflation to facilities, utilities, and personnel expenses due to not being fully staffed in FY 15/16.

**FINANCIAL ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND**

The Commission only has governmental funds and only one fund, which is its major fund. The governmental funds provide a short-term view of the Commission's operations. They are reported using an accounting method called modified accrual accounting, which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2017**

Governmental fund balances decreased by \$1,462,969 in fiscal year 2017 as compared to the government-wide decrease in net position of \$1,531,999. The primary differences between the two are that the governmental fund statements do not include depreciation, capital outlay, deferred revenue, principal payments of capital leases, and the accrual of compensated absences, all of which are not considered sources/uses of current assets.

Fund Budgetary Highlight – Actual total expenditures were approximately \$1,244,000 less than budgeted. Approximately \$755,000 of the underspending was from the Grant and Direct Program expenditure and Program Support expenditure lines reflecting general program under spending. Approximately \$299,000 of the underspending comes from the Contingency set aside which was not necessary this year. Approximately \$4,000 of the underspending comes from the Capital Outlay line due to less than estimated capital purchases in the fiscal year. Approximately \$186,000 of the underspending comes from the Evaluation line which is due to the Baseline Study and additional KRA analysis projects being postponed.

The original budget was amended to reflect the Commission's revised work plan and review of actual expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – The Commission's capital assets for its governmental activities as of June 30, 2017, amounted to \$16,297 (net of accumulated depreciation). Capital assets include furniture, equipment, and website.

Debt Administration – At the end of the current fiscal year, the Commission's long-term obligations were for a capital lease and compensated absences in the amount of \$66,194.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Commission is committed to building strong and effective programs for the early development of children, from the prenatal stage through age five, that can be supported for the long-term. The Commission continually reviews and refines the financial plan and assumptions. The Commission adopted a revised Long-term Financial Plan on June 26, 2017 and a revised Strategic Plan on June 26, 2017.

The following factors are considered in preparing the Commission's fiscal year 2017-2018 budget:

Administrative expenses are budgeted at 10% or less of the Commission's operating budget.

California Children and Families Commission State Proposition 10 annual fund projections are based on the Department of Finance birth projections.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the Monterey County Children and Families Commission, also known as ***First 5 Monterey County***. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to ***First 5 Monterey County***, 1125 Baldwin Street, Salinas, CA 93906.

## **BASIC FINANCIAL STATEMENTS**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

ASSETS

Cash	\$ 11,313,753
Due from the State	608,340
Other receivable	175,859
Interest receivable	28,877
Prepaid expense	9,055
Capital assets, net of depreciation	<u>16,297</u>
Total assets	<u>12,152,181</u>

LIABILITIES

Current liabilities:	
Accounts payable	355,676
Accrued salaries	21,005
Grants payable	1,867,510
Long-term debt:	
Due within one year	41,588
Due in more than one year	<u>66,194</u>
Total liabilities	<u>2,351,973</u>

NET POSITION

Net investment in capital assets	13,155
Restricted	450,000
Unrestricted	<u>9,337,053</u>
Total net position	<u>\$ 9,800,208</u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2017**

PROGRAM EXPENSES

Programs and services:	
Grant and direct program expenditures	\$ 4,680,745
Salaries and benefits	585,725
Program support expenditures	673,130
Community education/sponsorships	145,393
Total programs and services	<u>6,084,993</u>
Evaluation:	
Contractors	216,345
Salaries and benefits	109,142
Evaluation support expenditures	6,029
Total evaluation	<u>331,516</u>
Administration:	
Salaries and benefits	530,671
Rent/utilities	73,701
Professional fees	41,320
Insurance	9,793
Depreciation	14,148
Training and conferences	6,181
Computer supplies and maintenance	22,335
Supplies/services	27,661
Telephone	8,572
Janitorial	9,120
Total administration	<u>743,502</u>
Interest on long-term debt	<u>380</u>
Total program expenses	<u>7,160,391</u>

PROGRAM REVENUES

Proposition 10 allocation	4,146,574
State grants	312,999
Other grants	950,000
Other revenue	103,427
Total program revenues	<u>5,513,000</u>
Net program deficit	(1,647,391)

GENERAL REVENUES

Investment income	<u>115,392</u>
Total general revenues	<u>115,392</u>
Change in net position	(1,531,999)
Net position, beginning of year	<u>11,332,207</u>
Net position, end of year	<u><u>\$ 9,800,208</u></u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2017**

ASSETS

Cash	\$ 11,313,753
Due from the State	608,340
Other receivables	175,859
Interest receivable	28,877
Prepaid expense	9,055
	<hr/>
Total assets	<u>\$ 12,135,884</u>

LIABILITIES

Accounts payable	\$ 355,676
Accrued salaries	21,005
Grants payable	1,867,510
	<hr/>
Total liabilities	<u>2,244,191</u>

FUND BALANCE

Nonspendable:	
Not in spendable form	9,055
Restricted:	
Private grants	450,000
Committed:	
Core role allocations	9,305,139
Other contracts	127,499
	<hr/>
Total fund balance	<u>9,891,693</u>
Total liabilities and fund balance	<u>\$ 12,135,884</u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES

Proposition 10 allocation	\$ 4,146,574
State grants	365,457
Other grants	950,000
Investment income	115,392
Other revenue	<u>103,427</u>
Total revenues	<u>5,680,850</u>

EXPENDITURES

Programs and services:	
Grant and direct program expenditures	4,680,745
Salaries and benefits	585,919
Program support expenditures	673,130
Community education/sponsorships	<u>145,393</u>
Total programs and services	<u>6,085,187</u>

Evaluation:	
Contractors	216,345
Salaries and benefits	105,754
Evaluation and support expenditures	<u>6,029</u>
Total evaluation	<u>328,128</u>

Administration:	
Salaries and benefits	527,251
Rent/utilities	73,701
Professional fees	41,320
Insurance	9,793
Training and conferences	6,181
Computer supplies and maintenance	22,335
Supplies/services	27,661
Telephone	8,572
Janitorial	<u>9,120</u>
Total administration	<u>725,934</u>

Debt service:	
Principal	4,190
Interest	<u>380</u>

Total expenditures	<u>7,143,819</u>
Deficiency of revenues under expenditures	<u>(1,462,969)</u>
Net change in fund balance	(1,462,969)
Fund balance, beginning of year	<u>11,354,662</u>
Fund balance, end of year	<u><u>\$ 9,891,693</u></u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Total fund balance - governmental fund	\$	9,891,693
Amount reported in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		16,297
Long-term obligations are not due and payable in the current period and therefore, are not reported in the governmental fund:		
Capital lease		(3,143)
Compensated absences		<u>(104,639)</u>
Total net position - governmental activities	\$	<u>9,800,208</u>

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



**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Total net change in fund balance - governmental fund	\$ (1,462,969)
Amounts reported in the statement of activities are different because:	
Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
Current year depreciation	(14,148)
Revenues in the governmental fund's statement that do not provide current financial resources are not reported as revenue in the statement of activities.	
	(52,459)
The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal consumes the current financial resources of the governmental fund. However, neither transaction has any effect on net position. In the current year this amount is:	
Principal payments	4,190
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund.	
	<u>(6,613)</u>
Total net position - governmental activities	<u><u>\$ (1,531,999)</u></u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Monterey County Children and Families Commission (the Commission), a component unit of the County of Monterey, was established on December 8, 1998, by Ordinance of the Monterey County Board of Supervisors under the authority of Section 5, Division 108 of the Health and Safety Code, commencing with Section 130100 (the Act). The purpose of the Commission is to create and manage a comprehensive system of information, programs, services, and administrative support for enhancing the early childhood development of children and their families. The objective of this system is to prepare children to enter school in good health, ready and able to learn, and emotionally well-developed.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board (GASB) Statement No. 14 have been considered and there are no agencies or entities which are required to be presented with the Commission.

The Commission shall be composed of seven members to be appointed by the Monterey County Board of Supervisors consistent with the Act as follows:

- One member shall be the Director of the Monterey County Health Department or designee, pursuant to Health and Safety Code Section 130140(a)(1)(A)(i).
- One member shall be the Director of the Department of Social and Employment Services, pursuant to Health and Safety Code Section 130140(a)(1)(A)(i).
- One member shall be a member of the Monterey County Board of Supervisors, pursuant to Health and Safety Code Section 130140(a)(1)(A)(ii).

The remaining four at large members shall be nominated by a review committee established by the Commission with final review and appointment by the Board of Supervisors. These at large nominees are selected from the following categories of individuals, pursuant to Health and Safety Code Section 130140(a)(1)(A)(iii):

- A. Persons responsible for management of children's services, public health services, behavioral health services, social services, and tobacco and other substance abuse prevention and treatment services.
- B. Recipient of project services included in the County of Monterey Strategic Plan.
- C. Educators specializing in early childhood development.
- D. Representatives of a local childcare resource or referral agency or a local childcare coordinating group.
- E. Representatives of a local organization for prevention or early intervention for families at risk.
- F. Representatives of community-based organizations that have the goal of promoting nurturing and early childhood development.
- G. Representatives of local school districts.
- H. Representatives of local medical, pediatric, or obstetric associations or societies. (Ord. 5034 § 1 (part), 2006; Ord. 4041, 1999; Ord. 4003, 1998)

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation and Accounting**

*Government-Wide and Fund Financial Statements*

The statement of net position and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall government.

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

- *Net investment in capital assets* – This component of net position 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* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislations.
- *Unrestricted* – This 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 specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, 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 are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include Proposition 10 allocations, grants, and donations. Revenues from Proposition 10 allocations are recognized when all eligibility requirements are met, which coincides with when the State apportions Proposition 10 tax revenues to the Commission. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Separate financial statements are provided for the governmental fund, which is the general fund. The general fund accounts for all financial resources of the Commission and is its major fund. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 apportionments, grant revenues, and investment income are recognized when their receipt occurs within 60 days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under the accrual basis of accounting. General capital assets acquisitions are reported as expenditures in the governmental fund.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Pooled Cash and Investments** – Cash accounts, which essentially operate as demand deposit accounts, are maintained by the Monterey County Treasurer’s Office. Available cash balances are controlled and invested by the Monterey County Treasurer in pooled investment funds in order to provide safety, liquidity, and high investment returns for all funds. Interest earnings from these funds are generally credited to the Commission’s account on a quarterly basis.

The Monterey County Treasurer’s investment policy is in compliance with Section 53635 of the Government Code of the State of California, which permits investments in certain securities and participation in certain investment trading techniques or strategies.

**Capital Assets** – These include furniture, equipment, and website that are reported as governmental activity in the statement of net position. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. Furniture, equipment, and website are depreciated using the straight-line method over the following estimated useful lives:

Furniture 2 – 10 years

Equipment 3 – 5 years

Website 3 years

**Compensated Absences** – The Commission accrues vested liabilities for vacation and sick pay. Permanent employees are vested after 90 days of full-time employment. Vacation accrues at the rate of 15 days per year for the first year of employment, 20 days per year for two to three years of employment, and 25 days per year after three years. Earned vacation time accrues to a maximum of two times the accrual rate per year. Once the maximum accrual amount has been reached, no additional vacation will be earned until previously accrued vacation time is used. Sick leave accrues at the rate of 12 days each year. Unused sick leave may be accumulated up to a maximum of 79 hours and may be carried over from year to year. After completion of 5 years of service, upon termination, an employee is entitled to a sick leave cash out of sixty-five percent (65%) of the remaining sick leave balance, not to exceed 75 hours.

The Commission accrues for all salary-related items in the government-wide financial statements for which it is liable to make a payment directly and incrementally associated with payments made for compensated absences on termination.

**Proposition 10 Allocation** – The Children and Families Trust Fund (the Fund) was created by the California Children and Families Act of 1998 (Proposition 10). Effective January 1, 1999, Section 30131.2 of the Revenue and Taxation Code authorized the Fund to collect 50 cents for each cigarette pack distributed and an additional surtax for other tobacco products. The State Board of Equalization collects and deposits the cigarette tax and the additional surtax into the Fund. These monies are allocated and appropriated 20% to the State Commission and 80% to the county commissions. Each county commission receives a portion of the monies equal to the percentage of the number of live births recorded in the relevant county (for the most recent reporting period) in proportion to the entire number of live births recorded in California for the same period. The Commission is economically dependent on these funds.

**Budget and Budgetary Reporting** – The Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is exercised at the major object level. All changes to the budget, at main classification levels, during the year require the approval of the Board of Commissioners. All unencumbered annual appropriations lapse at the end of each fiscal year.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 classifications:

- **Nonspendable** – Includes amounts that cannot be spent because they are either (a) not in spendable form (inventories, prepaid amounts, etc.) or (b) legally or contractually required to be maintained intact (such as the corpus of principal of a permanent fund).
- **Restricted** – Includes amounts with constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners 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 grant allocation amounts for specific program and/or recipient by formal Board of Commissioners 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 Monterey County Board of Supervisors as noted under the Reporting Entity above. As of June 30, 2017, there was no amount under this classification.
- **Unassigned** – Resources that cannot be reported in any other classification.

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.

**Income Taxes** – The Commission is an instrumentality of the State of California. It is exempt from income taxes under Internal Revenue Code Section 115.

**Use of Estimates** – The preparation of the 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.

**New Accounting Pronouncements**

During the fiscal year ending June 30, 2017, the Commission implemented the following standards:

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. This statement was implemented effective July 1, 2016.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 – CASH**

Cash consisted of the following at June 30, 2017:

Petty cash	\$ 150
Cash in bank	1,064,262
Monterey County Treasury Pool	10,249,341
 Total	 \$ 11,313,753

**Cash in Bank** – Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission has a deposit policy that complies with California Government Code Section 53638 (Public Deposit Act). The first \$250,000 of the Commission's deposit is insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are fully collateralized by the bank by pledging identifiable U.S. Government securities at 110%.

**Monterey County Treasury Pool** – The Commission has \$10,249,341 invested in the County of Monterey Treasurer's investment pool at June 30, 2017. The fair value of the Commission's investment in the pool is reported in the financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the Monterey County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Monterey County Treasurer, which is recorded on the amortized cost basis. Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the Monterey County investment pool can be found in the notes of Monterey County's basic financial statements. The County's financial statements may be obtained by contacting the County of Monterey's Auditor-Controller's office at 168 West Alisal Street, 3<sup>rd</sup> Floor, Salinas, CA 93901.

**Fair Value Measurement**

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission has the following recurring fair value measurements as of June 30, 2017:

- Monterey County Treasury Pool is valued using quoted prices in active markets for identical assets (Level 1).

**NOTE 3 – DUE FROM THE STATE**

Due from the State consisted of the following at June 30, 2017:

Proposition 10 revenue for May and June	\$ 405,698
IMPACT grant	202,642
 Total due from the State	 \$ 608,340

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 – CAPITAL ASSETS**

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Governmental activities:				
Furniture	\$ 30,001	\$ -	\$ -	\$ 30,001
Equipment	70,527	-	-	70,527
Website	14,250	-	-	14,250
<b>Total</b>	<b>114,778</b>	<b>-</b>	<b>-</b>	<b>114,778</b>
Less accumulated depreciation for:				
Furniture	29,866	116	-	29,982
Equipment	49,193	9,282	-	58,475
Website	5,274	4,750	-	10,024
<b>Accumulated depreciation</b>	<b>84,333</b>	<b>14,148</b>	<b>-</b>	<b>98,481</b>
<b>Total capital assets – net of accumulated depreciation</b>	<b>\$ 30,445</b>	<b>\$ (14,148)</b>	<b>\$ -</b>	<b>\$ 16,297</b>

**NOTE 5 – LONG-TERM DEBT**

General long-term debt balances and transactions for the fiscal year ended June 30, 2017, are as follows:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Capital lease - copier	\$ 7,333	\$ -	\$ (4,190)	\$ 3,143	\$ 3,143
Compensated absences	98,026	6,613	-	104,639	38,445
<b>Total</b>	<b>\$ 105,359</b>	<b>\$ 6,613</b>	<b>\$ (4,190)</b>	<b>\$ 107,782</b>	<b>\$ 41,588</b>

**Capital Lease**

During the year ended June 30, 2015, the Commission entered into a new lease agreement for financing the acquisition of a copier. The lease was issued at zero percent rate of interest. As of June 30, 2017, the Commission's liability under the capital lease agreement and the minimum lease payments are as follows:

Year Ending June 30,	Principal
2018	\$ 3,143
2019	-
<b>Total</b>	<b>\$ 3,143</b>

**NOTE 6 – RETIREMENT PLAN**

The Commission provides a 457(b) retirement plan. All regular full-time employees who have completed six months (1,000 hours) of service are eligible for the plan. The Commission contributes to the plan at a rate of 7% of annual salary. The contribution for the year ended June 30, 2017, was \$56,125.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; employee’s health; and natural disasters. The Commission manages these various risks of loss by purchasing commercial insurance coverage. Their policy includes coverage for bodily injury, property damage, personal injury, directors’ and officers’ liability, public officials’ errors and omissions, crime, and non-owned and hired autos. In addition, the Commission maintains a workers’ compensation insurance policy and a health benefits insurance package for its employees.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Commission has entered into various contracts with dates ranging from July 2011 through June 2017. As of June 30, 2017, the Commission had commitments of \$502,008 with respect to these unfinished contracts.

**NOTE 9 – PROGRAM EVALUATION COSTS**

The Commission spent \$331,516, within the governmental fund, on program evaluation for the year ended June 30, 2017.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The legally required composition of the Commission includes a Monterey County Supervisor, Directors of Monterey County agencies, and representatives of agencies and constituencies concerned with children. Many of the programs funded by the Commission are operated by organizations represented by Commissioners. Commissioners must abstain from voting on issues and participating in discussions directly related to their respective organizations. The following table shows the contract amounts for the fiscal year 2016-17 and amounts paid under those contracts during the fiscal year 2016-17 to agencies represented by Commissioners:

<u>Contracts</u>	<u>Contract Amount</u>	<u>Amount Paid</u>
Door To Hope (Vision 3A, 3B)	\$ 294,512	\$ 248,211
Greenfield Union School District (Vision 2)	4,995	4,591
Hartnell Community College District (Vision 2)	80,230	78,977
Hartnell Community College Foundation (Vision 2)	166,750	156,189
Monterey County Department of Social & Employment Services (Vision 3B)	44,247	39,752
Monterey County Behavioral Health Department (Vision 3B)	150,000	132,673
Monterey County Health Department (Vision 1)	104,912	48,584
Monterey County Office of Education (Vision 1)	109,155	88,399
Monterey County Office of Education (Transition to Kindergarten)	58,000	46,383
Monterey County Office of Education (Vision 3a)	2,422	1,656
Monterey County Office of Education (QRIS/IMPACT)	307,173	160,574
Total	<u>\$ 1,322,396</u>	<u>\$ 1,005,989</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Proposition 10 allocation	\$ 3,995,089	\$ 4,338,520	\$ 4,146,574	\$ (191,946)
State grants	287,483	497,788	365,457	(132,331)
Other grants	700,000	950,000	950,000	-
Investment income	41,000	102,000	115,392	13,392
Other revenue	-	103,428	103,427	(1)
<b>Total revenues</b>	<b>5,023,572</b>	<b>5,991,736</b>	<b>5,680,850</b>	<b>(310,886)</b>
<b>EXPENDITURES</b>				
Programs and services:				
Grant and direct program expenditures	5,600,045	5,435,777	4,680,745	755,032
Salaries and benefits	662,408	580,160	585,919	(5,759)
Program support expenditures	819,505	669,410	673,130	(3,720)
Community education/sponsorships	252,200	153,300	145,393	7,907
<b>Total programs and services</b>	<b>7,334,158</b>	<b>6,838,647</b>	<b>6,085,187</b>	<b>753,460</b>
Evaluation:				
Contractors	547,810	402,610	216,345	186,265
Salaries and benefits	119,142	104,642	105,754	(1,112)
Evaluation and support expenditures	10,500	8,050	6,029	2,021
<b>Total evaluation</b>	<b>677,452</b>	<b>515,302</b>	<b>328,128</b>	<b>187,174</b>
Administration:				
Salaries and benefits	534,277	530,477	527,251	3,226
Rent/utilities	72,700	73,690	73,701	(11)
Professional fees	40,725	38,725	41,320	(2,595)
Insurance	11,350	9,794	9,793	1
Training and conferences	4,000	5,000	6,181	(1,181)
Computer supplies and maintenance	17,100	22,090	22,335	(245)
Supplies/services	31,110	29,043	27,661	1,382
Telephone	8,000	8,000	8,572	(572)
Janitorial	10,540	9,120	9,120	-
<b>Total administration</b>	<b>729,802</b>	<b>725,939</b>	<b>725,934</b>	<b>5</b>
Debt service:				
Principal	4,192	4,190	4,190	-
Interest	276	381	380	1
<b>Total debt service</b>	<b>4,468</b>	<b>4,571</b>	<b>4,570</b>	<b>1</b>
Capital outlay	-	4,250	-	4,250
Contingency	251,179	299,587	-	299,587
<b>Total expenditures</b>	<b>8,997,059</b>	<b>8,388,296</b>	<b>7,143,819</b>	<b>1,244,477</b>
Deficiency of revenues under expenditures	(3,973,487)	(2,396,560)	(1,462,969)	933,591
<b>Net change in fund balance</b>	<b>\$ (3,973,487)</b>	<b>\$ (2,396,560)</b>	<b>\$ (1,462,969)</b>	<b>\$ 933,591</b>

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**NOTE 1 – BUDGETARY DATA**

The Monterey County Children and Families Commission (the Commission) adopts an annual budget, which covers the governmental fund. All appropriations lapse at fiscal year-end and then are rebudgeted for in the coming fiscal year. The budget is prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

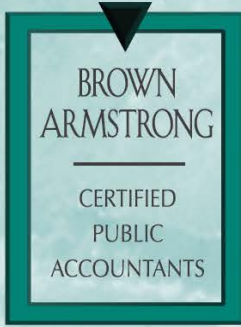
A mid-year budget review is performed and the budget is amended by passage of a resolution. Additional appropriations not included in the amended budget resolution must be approved by the Board of Commissioners.

**SUPPLEMENTARY INFORMATION**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE BY FUND SOURCE FOR FIRST 5 CALIFORNIA (F5CA) FUNDING**

	F5CA IMPACT Grant
<b>REVENUES</b>	
Current	
Program revenue	\$ 365,457
Total revenues	365,457
<b>EXPENDITURES</b>	
Current	
Program expenditures	312,769
Total expenditures	312,769
Change in fund balance	52,688
Fund balance, beginning of year	(107,854)
Fund balance, end of year	\$ (55,166)

## **COMPLIANCE SECTION**



# BROWN ARMSTRONG

*Certified Public Accountants*

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

To the Board of Commissioners  
Monterey County Children and Families Commission  
Salinas, California

### **BAKERSFIELD OFFICE (MAIN OFFICE)**

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### **LAGUNA HILLS OFFICE**

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TEL 209.451.4833

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 the Monterey County Children and Families Commission (the Commission), a component unit of the County of Monterey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 11, 2017.

### **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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

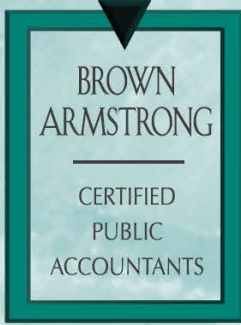
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
September 11, 2017





# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Commissioners  
Monterey County Children and Families Commission  
Salinas, California

### Compliance

We have audited the Monterey County 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, 2017.

### Management's Responsibility

Management is responsible for compliance with the requirements of the 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 compliance requirements referred to above 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:

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<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, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2017.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
September 11, 2017

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
CURRENT YEAR AND PRIOR YEAR SCHEDULE OF FINDINGS  
JUNE 30, 2017**

**Current Year Findings**

None.

**Prior Year Findings**

None.