

**MONTEREY COUNTY
CHILDREN AND FAMILIES COMMISSION**

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

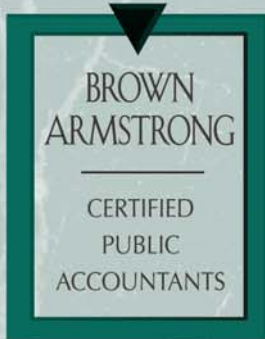
**FOR THE YEAR ENDED
JUNE 30, 2018**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
JUNE 30, 2018**

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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 the 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, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 22-23 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 changes 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 10, 2018, 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 the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Bakersfield, California
September 10, 2018

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2018**

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 on December 8, 1998, under the provisions of the Act. The name was later changed to the Monterey County Children and Families Commission (Commission). The 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.

For fiscal year 2017-2018, the Commission adopted a new Strategic Plan to be implemented from fiscal year 2017-2018 to 2022-2023. The vision of the plan is that: All children reach their unique potential in a family and community that values, respects and invests in early childhood. The mission is to: Enrich the lives of children, prenatal through age five, and their families by strengthening connections and advancing quality within a whole system of care and support.

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, 2018.

FINANCIAL HIGHLIGHTS

Based upon birth rate, the Commission was allocated and received revenues of \$3.7 million from the State of California as revenues collected under the Children and Families Act. The total amount of revenue received including revenue allocated by birth rate was \$5 million. During the fiscal year 2017-2018, the Commission disbursed approximately \$3.2 million in grant and direct program expenditures. The Commission also spent approximately \$2.1 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, 2018**

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 13 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 21 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, it is also important 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, 2018**

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

Net Position				
For the Year Ended June 30:				
	2018	2017	Change	%
Current and other assets	\$ 10,805,340	\$ 12,135,884	\$ (1,330,544)	-11%
Capital assets - net	24,250	16,297	7,953	49%
Total assets	10,829,590	12,152,181	(1,322,591)	-11%
Current liabilities	1,806,142	2,285,779	(479,637)	-21%
Non-current liabilities	79,270	66,194	13,076	20%
Total liabilities	1,885,412	2,351,973	(466,561)	-20%
Net position				
Net investment in capital assets	11,453	13,155	(1,702)	-13%
Restricted	259,826	450,000	(190,174)	-42%
Unrestricted	8,672,899	9,337,053	(664,154)	-7%
Total net position	\$ 8,944,178	\$ 9,800,208	\$ (856,030)	-9%

The decrease in total assets of \$1,322,591 reflects the Commission's planned use of its reserves to maintain program expenditures.

Total liabilities decreased by \$466,561 primarily as a result of lower year-end accruals reflecting the fourth quarter activities.

The \$1,702 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 \$856,030 for the year ended June 30, 2018 reflects the Commission's planned use of its reserves to maintain program expenditures. The restricted portion of net position was \$259,826 which reflects items for which an external enforceable limitation exists.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2018**

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%</u>
Program revenues:				
Proposition 10 allocation	\$ 3,735,117	\$ 4,146,574	\$ (411,457)	-10%
State grants	465,717	312,999	152,718	49%
Foundation grants	690,000	950,000	(260,000)	-27%
Other revenue	29,705	103,427	(73,722)	-71%
	<u>4,920,539</u>	<u>5,513,000</u>	<u>(592,461)</u>	<u>-11%</u>
General revenues:				
Investment income	114,549	115,392	(843)	-1%
Total revenues	<u>\$ 5,035,088</u>	<u>\$ 5,628,392</u>	<u>\$ (593,304)</u>	<u>-11%</u>

The State grant line reflects revenue from the First 5 IMPACT Grant. This five year program funded by the California Children and Families Commission was awarded to the Commission in July 2015. The Foundation grants line reflects revenue from the Monterey County Health Department, the Monterey County Office of Education, Sunlight Giving, the Claire Giannini Fund, and the Monterey Peninsula Foundation.

Investment income shows a decrease due to a decrease in balance held by the Monterey County's Treasury investment pool because of the Commission's planned use of its reserves for program expenditures. The Commission is facing declining Proposition 10 revenues and a decrease in the return on these funds.

Changes in the Commission's expense were as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%</u>
Expenses				
Program and services	\$ 4,874,594	\$ 6,084,993	\$ (1,210,399)	-20%
Evaluation	463,851	331,516	132,335	40%
Administration and interest	552,673	743,882	(191,209)	-26%
Total expenses	<u>\$ 5,891,118</u>	<u>\$ 7,160,391</u>	<u>\$ (1,269,273)</u>	<u>-18%</u>

Program and services shows a decrease of \$1,210,399 due to a decrease in overall budget. This reduction in overall budget is to align with the Commission's updated Strategic and Long-Term Financial Plans, which are based on a shift to a systematic and collaborative approach, and takes into consideration Prop 10 declining revenue projections.

The Evaluation expense increase of \$132,335 is mainly attributable to having an evaluation staff member for the full year, additional evaluation staff training fees, and additional evaluation contracted work due to alignment with new Strategic Plan.

The Administration and interest expense decrease of \$191,209 is mainly attributable to an updated allocation of expenses for the Executive Director to programs and services, a decrease in Administrative staff training fees, and a reduction in legal professional services in fiscal year 2017-2018.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2018**

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.

Governmental fund balances decreased by \$871,856 in fiscal year 2017-2018 as compared to the government-wide decrease in net position of \$856,030. 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 \$493,799 less than budgeted. Approximately \$267,000 of the underspending was from the Grant and Direct Program expenditure, Program Support, and Community education/sponsorships expenditure lines reflecting general program under spending. Approximately \$233,000 of the underspending comes from the contingency set aside which was not necessary this year.

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, 2018, amounted to \$24,250 (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 \$79,270.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Commission is committed to building strong and effective systems and 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 May 29, 2018 and a revised Strategic Plan on June 26, 2017.

The following factors are considered in preparing the Commission's fiscal year 2018-2019 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, 2018

ASSETS

Cash	\$ 9,482,120
Due from the State	1,111,291
Other receivable	179,396
Interest receivable	26,500
Prepaid expense	6,033
Capital assets, net of depreciation	<u>24,250</u>
Total assets	<u>10,829,590</u>

LIABILITIES

Current liabilities:	
Accounts payable	363,992
Accrued salaries	21,536
Grants payable	1,371,090
Long-term debt:	
Due within one year	49,524
Due in more than one year	<u>79,270</u>
Total liabilities	<u>1,885,412</u>

NET POSITION

Net investment in capital assets	11,453
Restricted	259,826
Unrestricted	<u>8,672,899</u>
Total net position	<u>\$ 8,944,178</u>

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

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2018

PROGRAM EXPENSES

Programs and services:	
Grant and direct program expenditures	\$ 3,199,465
Salaries and benefits	942,279
Program support expenditures	484,446
Community education/sponsorships	248,404
Total programs and services	4,874,594
Evaluation:	
Contractors	291,024
Salaries and benefits	140,194
Evaluation support expenditures	32,633
Total evaluation	463,851
Administration:	
Salaries and benefits	349,503
Rent/utilities	73,301
Professional fees	37,180
Insurance	11,870
Depreciation	13,642
Training and conferences	805
Computer supplies and maintenance	24,696
Supplies/services	23,322
Telephone	8,840
Janitorial	9,120
Total administration	552,279
Interest on long-term debt	394
Total program expenses	5,891,118

PROGRAM REVENUES

Proposition 10 allocation	3,735,117
State grants	465,717
Other grants	690,000
Other revenue	29,705
Total program revenues	4,920,539
Net program deficit	(970,579)

GENERAL REVENUES

Investment income	114,549
Total general revenues	114,549
Change in net position	(856,030)
Net position, beginning of year	9,800,208
Net position, end of year	\$ 8,944,178

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2018**

ASSETS

Cash	\$ 9,482,120
Due from the State	1,111,291
Other receivables	179,396
Interest receivable	26,500
Prepaid expense	<u>6,033</u>
Total assets	<u><u>\$ 10,805,340</u></u>

LIABILITIES

Accounts payable	\$ 363,992
Accrued salaries	21,536
Grants payable	<u>1,371,090</u>
Total liabilities	<u><u>1,756,618</u></u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue	<u>28,885</u>
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FUND BALANCE

Nonspendable:	
Not in spendable form	6,033
Restricted:	
Private grants	259,826
Committed:	
Core role allocations	8,752,778
Other contracts	<u>1,200</u>
Total fund balance	<u><u>9,019,837</u></u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 10,805,340</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, 2018**

Total fund balance - governmental fund	\$ 9,019,837
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.	24,250
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 unavailable revenue in the governmental fund.	28,885
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund:	
Capital lease	(12,797)
Compensated absences	(115,997)
	(128,794)
Total net position - governmental activities	\$ 8,944,178

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, 2018**

REVENUES	
Proposition 10 allocation	\$ 3,735,117
State grants	465,717
Other grants	690,000
Investment income	114,549
Other revenue	<u>820</u>
Total revenues	<u>5,006,203</u>
EXPENDITURES	
Programs and services:	
Grant and direct program expenditures	3,199,465
Salaries and benefits	907,884
Program support expenditures	484,446
Community education/sponsorships	<u>248,404</u>
Total programs and services	<u>4,840,199</u>
Evaluation:	
Contractors	291,024
Salaries and benefits	136,960
Evaluation and support expenditures	<u>32,633</u>
Total evaluation	<u>460,617</u>
Administration:	
Salaries and benefits	375,774
Rent/utilities	73,301
Professional fees	37,180
Insurance	11,870
Training and conferences	805
Computer supplies and maintenance	24,696
Supplies/services	23,322
Telephone	8,840
Janitorial	9,120
Capital expenditures	<u>21,595</u>
Total administration	<u>586,503</u>
Debt service:	
Principal	4,306
Interest	<u>394</u>
Total expenditures	<u>5,892,019</u>
Deficiency of revenues under expenditures	<u>(885,816)</u>
OTHER FINANCING SOURCES	
Proceeds from capital lease	<u>13,960</u>
Total other financing sources	<u>13,960</u>
Net change in fund balance	(871,856)
Fund balance, beginning of year	<u>9,891,693</u>
Fund balance, end of year	<u>\$ 9,019,837</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, 2018**

Total net change in fund balance - governmental fund	\$ (871,856)
Amounts reported in the statement of activities are different because:	
The governmental fund reports capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:	
Current year depreciation	(13,642)
Capital outlay	21,595
Revenues in the governmental fund's statement that do not provide current financial resources are not reported as revenue in the fund.	28,885
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 assets. In the current year this amount is:	
Issuance of capital lease	(13,960)
Principal payments	4,306
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>(11,358)</u>
Total net position - governmental activities	<u><u>\$ (856,030)</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, 2018

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, California, 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 Monterey County 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, 2018

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 net 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 amounts with 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 activities. Direct expenses are those that are specifically associated with the Commission's governmental activities. 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, 2018

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 activities 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. 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 180 hours and may be carried over from year to year. Once the maximum accrual amount has been reached, no additional sick will be earned until previously accrued sick time is used. No sick leave benefits are paid upon separation of employment for any reason, including retirement.

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.

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2018, 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.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH

Cash consisted of the following at June 30, 2018:

Petty cash	\$ 150
Cash in bank	417,820
Monterey County Treasury Pool	9,064,150
 Total	 \$ 9,482,120

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 \$9,064,150 invested in the County of Monterey Treasurer’s investment pool at June 30, 2018. 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 are 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, 3rd 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, 2018:

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

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – DUE FROM THE STATE

Due from the State consisted of the following at June 30, 2018:

Proposition 10 revenue for May and June	\$ 564,173
Proposition 56 backfill	165,914
IMPACT grant	375,759
Surplus Money Investment Fund (SMIF)	<u>5,445</u>
Total due from the State	<u><u>\$ 1,111,291</u></u>

NOTE 4 – CAPITAL ASSETS

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Governmental activities:				
Furniture	\$ 30,001	\$ -	\$ -	\$ 30,001
Equipment	70,527	21,595	(40,696)	51,426
Website	<u>14,250</u>	<u>-</u>	<u>-</u>	<u>14,250</u>
Total	<u>114,778</u>	<u>21,595</u>	<u>(40,696)</u>	<u>95,677</u>
Less accumulated depreciation for:				
Furniture	29,982	19	-	30,001
Equipment	58,475	9,397	(40,696)	27,176
Website	<u>10,024</u>	<u>4,226</u>	<u>-</u>	<u>14,250</u>
Accumulated depreciation	<u>98,481</u>	<u>13,642</u>	<u>(40,696)</u>	<u>71,427</u>
Total capital assets – net of accumulated depreciation	<u><u>\$ 16,297</u></u>	<u><u>\$ 7,953</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,250</u></u>

NOTE 5 – LONG-TERM DEBT

General long-term debt balances and transactions for the fiscal year ended June 30, 2018, are as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Capital lease - copier	\$ 3,143	\$ 13,960	\$ (4,306)	\$ 12,797	\$ 4,653
Compensated absences	<u>104,639</u>	<u>11,358</u>	<u>-</u>	<u>115,997</u>	<u>44,871</u>
Total	<u><u>\$ 107,782</u></u>	<u><u>\$ 25,318</u></u>	<u><u>\$ (4,306)</u></u>	<u><u>\$ 128,794</u></u>	<u><u>\$ 49,524</u></u>

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – LONG-TERM DEBT (Continued)

Capital Lease

During the year ended June 30, 2018, 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, 2018, the Commission’s liability under the capital lease agreement and the minimum lease payments are as follows:

Year Ending June 30,	Principal
2019	\$ 4,653
2020	4,653
2021	3,491
Total	\$ 12,797

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, 2018, was \$66,716.

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. The 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 March 2014 through June 2021. As of June 30, 2018, the Commission had commitments of \$9,299,409 with respect to these unfinished contracts.

NOTE 9 – PROGRAM EVALUATION COSTS

The Commission spent \$460,617, within the governmental fund, on program evaluation for the year ended June 30, 2018.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 2017-18 and amounts paid under those contracts during the fiscal year 2017-18 to agencies represented by Commissioners:

<u>Contracts</u>	<u>Contract Amount</u>	<u>Amount Paid</u>
Action Council of Monterey County - DTH Collaborative (Integrated Service Collaborative)	\$ 363,252	\$ 351,337
Centro Binacional - DTH Collaborative (Integrated Service Collaborative)	116,920	98,972
County of Monterey - Probation Dept. - DTH Collaborative (Integrated Service Collaborative)	118,557	116,638
Door to Hope - Lead Agency for Collaborative (Integrated Service Collaborative)	168,713	164,895
Hartnell Community College (CARES/Workforce Development)	97,196	97,196
Hartnell Community College District (Technical Assistance to Hartnell College CDC)	4,000	1,282
Monterey County Office of Education (QRIS/IMPACT)	<u>333,634</u>	<u>299,191</u>
Total	<u>\$ 1,202,272</u>	<u>\$ 1,129,511</u>

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 10, 2018, which is the date the financial statements were issued. There were no subsequent events identified by management which would require disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Proposition 10 allocation	\$ 3,610,521	\$ 3,531,353	\$ 3,735,117	\$ 203,764
State grants	482,637	353,068	465,717	112,649
Other grants	650,000	690,000	690,000	-
Investment income	83,326	96,326	114,549	18,223
Other revenue	40,000	-	14,780	14,780
Total revenues	4,866,484	4,670,747	5,020,163	349,416
EXPENDITURES				
Programs and services:				
Grant and direct program expenditures	3,588,777	3,381,854	3,199,465	182,389
Salaries and benefits	887,321	898,271	907,884	(9,613)
Program support expenditures	647,885	557,142	484,446	72,696
Community education/sponsorships	285,000	270,025	248,404	21,621
Total programs and services	5,408,983	5,107,292	4,840,199	267,093
Evaluation:				
Contractors	354,109	286,609	291,024	(4,415)
Salaries and benefits	129,141	127,641	136,960	(9,319)
Evaluation and support expenditures	6,750	41,440	32,633	8,807
Total evaluation	490,000	455,690	460,617	(4,927)
Administration:				
Salaries and benefits	395,631	373,131	375,774	(2,643)
Rent/utilities	72,990	73,490	73,301	189
Professional fees	38,500	38,000	37,180	820
Insurance	10,320	11,254	11,870	(616)
Training and conferences	7,000	1,500	805	695
Computer supplies and maintenance	27,244	24,450	24,696	(246)
Supplies/services	26,215	25,024	23,322	1,702
Telephone	8,520	10,020	8,840	1,180
Janitorial	9,120	9,120	9,120	-
Total administration	595,540	565,989	564,908	1,081
Debt service:				
Principal	4,000	-	4,306	(4,306)
Interest	460	460	394	66
Total debt service	4,460	460	4,700	(4,240)
Capital outlay	4,850	22,850	21,595	1,255
Contingency	243,324	233,537	-	233,537
Total expenditures	6,747,157	6,385,818	5,892,019	493,799
Deficiency of revenues under expenditures	(1,880,673)	(1,715,071)	(871,856)	843,215
Net change in fund balance	\$ (1,880,673)	\$ (1,715,071)	\$ (871,856)	\$ 843,215

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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.

NOTE 2 – EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2018, the governmental fund has expenditures over appropriations as follows:

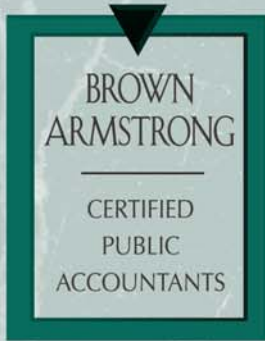
	<u>Governmental Fund</u>
Evaluation	\$ (4,927)
Debt service	(4,240)

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
REVENUES	
Current	
Program revenue	\$ 465,717
Total revenues	465,717
EXPENDITURES	
Current	
Program expenditures	478,845
Total expenditures	478,845
Change in fund balance	(13,128)
Fund balance, beginning of year	(56,166)
Fund balance, end of year	\$ (69,294)

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

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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, California, as of and for the year ended June 30, 2018, 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 10, 2018.

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

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

Compliance and Other Matters

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

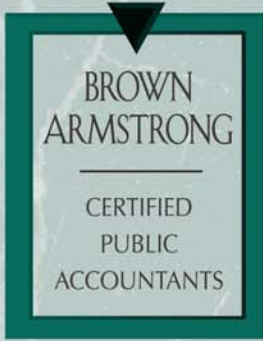
Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
September 10, 2018



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, 2018.

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, 2018.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
September 10, 2018

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
CURRENT YEAR AND PRIOR YEAR SCHEDULE OF FINDINGS
JUNE 30, 2018**

Current Year Findings

None.

Prior Year Findings

None.