

**MONTEREY COUNTY  
CHILDREN AND FAMILIES COMMISSION**

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

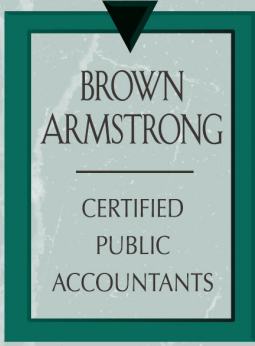
**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
JUNE 30, 2020**

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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 the major fund of the Monterey County Children and Families Commission (Commission), a discrete component unit of the County of Monterey, California, as of and for the fiscal year ended June 30, 2020, 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 the major fund of the Commission, as of June 30, 2020, and the respective changes in financial position thereof for the fiscal 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, as listed in the table of contents, 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 (the supplementary information) as 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 supplementary information 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 supplementary information is fairly stated, in all material respects, in relation to the basic 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 15, 2020, 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 solely 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
September 15, 2020

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2020**

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 name was later changed to the Monterey County Children and Families Commission. The Commission is a legally separate entity governed by a seven-member Board of Commissioners appointed by the County Board of Supervisors. Because the 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 and includes a summary of the Commission's basic financial statements in the County's basic financial statements.

On June 26, 2017, the Commission adopted a new Strategic Plan for fiscal years 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, 2020.

### **FINANCIAL HIGHLIGHTS**

Based upon birth rate, the Commission was allocated revenues of \$4.5 million from the State of California as revenues collected under the Act. The total amount of revenue, including revenue allocated by birth rate, was \$6.6 million. During the fiscal year 2019-2020, the Commission disbursed approximately \$3.8 million in grant and direct program expenditures. The Commission also spent approximately \$1 million on program/community support and evaluation.

### **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 required supplementary information and 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2020**

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 financial 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 22 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, 2020**

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

	<b>Net Position June 30:</b>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Current and other assets	\$ 9,961,244	\$ 10,384,565	\$ (423,321)	-4%
Capital assets - net	<u>8,071</u>	<u>14,251</u>	<u>(6,180)</u>	<u>-43%</u>
Total assets	<u>9,969,315</u>	<u>10,398,816</u>	<u>(429,501)</u>	<u>-4%</u>
Current liabilities	1,815,379	1,842,098	(26,719)	-1%
Non-current liabilities	<u>74,836</u>	<u>69,020</u>	<u>5,816</u>	<u>8%</u>
Total liabilities	<u>1,890,215</u>	<u>1,911,118</u>	<u>(20,903)</u>	<u>-1%</u>
Net position				
Net investment in capital assets	4,581	6,108	(1,527)	-25%
Restricted	51,214	200,000	(148,786)	-74%
Unrestricted	<u>8,023,305</u>	<u>8,281,590</u>	<u>(258,285)</u>	<u>-3%</u>
Total net position	<u>\$ 8,079,100</u>	<u>\$ 8,487,698</u>	<u>\$ (408,598)</u>	<u>-5%</u>

The decrease in total assets of \$429,501 reflects the Commission's planned use of its reserves to maintain program expenses and standard depreciation on capitalized assets.

Total liabilities decreased by \$20,903 primarily as a result of higher fiscal year-end accruals reflecting the fourth quarter activities.

The \$1,527 decrease in net investment in capital assets was due to continued depreciation of the Commission's capital assets (excluding capital lease).

The decrease in net position by \$408,598 for the fiscal year ended June 30, 2020, reflects the Commission's planned use of its reserves to maintain program expenses. The restricted portion of net position was \$51,214 which reflects items for which an external enforceable limitation exists.

**Changes in Net Position**

The changes in Net Position during the reporting period was the effect of factors that deducted from the Net Position. The following table summarizes the changes in Net Position during the reported year, as compared with the prior year:

	<b>As of June 30:</b>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Total Revenues	\$ 6,322,798	\$ 5,671,136	\$ 651,662	11%
Total Expenses	<u>(6,731,396)</u>	<u>(6,127,616)</u>	<u>(603,780)</u>	<u>10%</u>
Change in Net Position	(408,598)	(456,480)	47,882	-10%
Net Position, Beginning of the Year	<u>8,487,698</u>	<u>8,944,178</u>	<u>(456,480)</u>	<u>-5%</u>
Net Position, End of the Year	<u>\$ 8,079,100</u>	<u>\$ 8,487,698</u>	<u>\$ (408,598)</u>	<u>-5%</u>



**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Program revenues:				
Proposition 10 allocation	\$ 3,884,843	\$ 3,843,409	\$ 41,434	1%
State grants	447,268	255,892	191,376	75%
Foundation grants	1,825,065	1,369,991	455,074	33%
Other revenue	4,186	32,964	(28,778)	-87%
	<u>6,161,362</u>	<u>5,502,256</u>	<u>659,106</u>	<u>12%</u>
General revenues:				
Investment income	<u>161,436</u>	<u>168,880</u>	<u>(7,444)</u>	<u>-4%</u>
Total revenues	<u>\$ 6,322,798</u>	<u>\$ 5,671,136</u>	<u>\$ 651,662</u>	<u>11%</u>

The State grants line reflects revenue from the First 5 IMPACT Grant, which is a five-year program funded by the California Children and Families Commission, awarded to the Commission in July 2015. The Foundation grants line reflects revenue from the County Health Department, the County Office of Education, the County Department of Social Services, Sunlight Giving, Community Foundation for Monterey County, the Claire Giannini Fund, Child Abuse Prevention Council, the Central California Alliance for Health, and the California Children & Families Foundation.

Investment income shows an increase due to an increase in the rate of return on the funds held by the County's Treasury investment pool.

Changes in the Commission's expenses were as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Expenses				
Program and services	\$ 5,858,382	\$ 5,274,609	\$ 583,773	11%
Evaluation	264,214	249,547	14,667	6%
Administration and interest	<u>608,800</u>	<u>603,460</u>	<u>5,340</u>	<u>1%</u>
Total expenses	<u>\$ 6,731,396</u>	<u>\$ 6,127,616</u>	<u>\$ 603,780</u>	<u>10%</u>

Program and services shows an increase of \$583,773 mainly due to an increase in grant revenue specifically provided to support program and services activities such as the Department of Social Services Home Visiting Program, Census Outreach Grants, and COVID-19 Community Response Grants.

The Evaluation expense increase of \$14,667 is mainly attributable to planning for the School Readiness Assessment (SRA).

The Administration and interest expense increase of \$5,340 is mainly attributable to an increase in computer hardware and software needed for Staff in fiscal year 2019-2020.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2020**

**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 \$157,584 in fiscal year 2019-2020 as compared to the government-wide decrease in net position of \$408,598. 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 \$701,550 less than budgeted. Approximately \$145K of the underspending was from the Grant and Direct Program Expenditures, Program Support Expenditures, and Community Education/Sponsorships lines reflecting general program under spending. Approximately \$103K of underspending was from the Salaries and Benefits line reflecting open positions. Approximately \$323K of the underspending comes from the Contingency set aside which was not necessary this fiscal 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, 2020, amounted to \$8,071 (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 \$74,836.

**ECONOMIC FACTORS AND NEXT FISCAL 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 Strategic Plan on June 26, 2017 and a revised Long-Term Financial Plan on June 22, 2020.

The following factors are considered in preparing the Commission's fiscal year 2020-2021 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 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, 2020**

**ASSETS**

Current assets:

Cash	\$ 8,274,078
Due from the State	840,917
Other receivable	799,229
Interest receivable	35,000
Grants receivable	7,068
Prepaid expense	4,952
	9,961,244

Total current assets 9,961,244

Capital assets, net of depreciation 8,071

**TOTAL ASSETS 9,969,315**

**LIABILITIES AND NET POSITION**

LIABILITIES

Current liabilities:

Accounts payable	319,637
Accrued salaries	36,439
Grants payable	1,408,104

Long-term debt:

Due within one year	51,199
Due in more than one year	74,836
	1,890,215

**TOTAL LIABILITIES 1,890,215**

NET POSITION

Net investment in capital assets	4,581
Restricted	51,214
Unrestricted	8,023,305
	8,079,100

**TOTAL NET POSITION 8,079,100**

**TOTAL LIABILITIES AND NET POSITION \$ 9,969,315**

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) and Revenue and Change in Net Position  Governmental Activities
Governmental Activities:			
Program and services:			
Grant and direct program expenses	\$ 3,837,264	\$ -	\$ (3,837,264)
Salaries and benefits	1,061,145	-	(1,061,145)
Program support expenses	518,118	-	(518,118)
Community education/sponsorships	441,855	-	(441,855)
Proposition 10 allocation	-	3,884,843	3,884,843
State grants	-	447,268	447,268
Other grants	-	1,825,065	1,825,065
Other revenue	-	4,186	4,186
Evaluation:			
Contractors	126,151	-	(126,151)
Salaries and benefits	134,121	-	(134,121)
Evaluation support expenses	3,942	-	(3,942)
Administration:			
Salaries and benefits	400,478	-	(400,478)
Rent/utilities	64,069	-	(64,069)
Professional fees	58,856	-	(58,856)
Insurance	18,439	-	(18,439)
Depreciation	6,180	-	(6,180)
Training and conferences	2,122	-	(2,122)
Computer supplies and maintenance	27,130	-	(27,130)
Supplies/services	14,198	-	(14,198)
Telephone	7,878	-	(7,878)
Janitorial	9,450	-	(9,450)
Totals	<u>\$ 6,731,396</u>	<u>\$ 6,161,362</u>	<u>(570,034)</u>
General Revenues:			
Investment income			161,436
Total General Revenues			161,436
Change in Net Position			(408,598)
Net Position - Beginning of Year			8,487,698
Net Position - End of Year			\$ 8,079,100

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2020**

**ASSETS**

Current Assets	
Cash	\$ 8,274,078
Due from the State	840,917
Other receivables	799,229
Interest receivable	35,000
Grant receivable	7,068
Prepaid expense	4,952
	<hr/>
TOTAL ASSETS	<u><u>\$ 9,961,244</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**

LIABILITIES	
Accounts payable	\$ 319,637
Accrued salaries	36,439
Grants payable	1,408,104
	<hr/>
TOTAL LIABILITIES	<u>1,764,180</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	388,095
	<hr/>
FUND BALANCE	
Nonspendable:	
Not in spendable form	4,952
Restricted:	
Private grants	51,214
Committed:	
Core role allocations	3,968,241
Assigned:	
Contracts	3,784,562
	<hr/>
TOTAL FUND BALANCE	<u>7,808,969</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 9,961,244</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, 2020**

Total fund balance - governmental fund	\$ 7,808,969
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	8,071
As the focus of the 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.	388,095
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund:	
Capital lease	(3,490)
Compensated absences	<u>(122,545)</u>
Total net position - governmental activities	<u><u>\$ 8,079,100</u></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 FISCAL YEAR ENDED JUNE 30, 2020**

REVENUES

Proposition 10 allocation	\$ 4,463,625
State grants	82,173
Other grants	1,802,065
Investment income	171,954
Other revenue	32,376
	<u>6,552,193</u>
Total revenues	<u>6,552,193</u>

EXPENDITURES

Programs and services:	
Grant and direct program expenditures	3,837,264
Salaries and benefits	1,052,718
Program support expenditures	518,118
Community education/sponsorships	441,855
	<u>5,849,955</u>
Total programs and services	<u>5,849,955</u>

Evaluation:

Contractors	126,151
Salaries and benefits	130,598
Evaluation and support expenditures	3,942
	<u>260,691</u>
Total evaluation	<u>260,691</u>

Administration:

Salaries and benefits	392,337
Rent/utilities	64,069
Professional fees	58,856
Insurance	18,439
Training and conferences	2,122
Computer supplies and maintenance	27,130
Supplies/services	14,197
Telephone	7,878
Janitorial	9,450
	<u>594,478</u>
Total administration	<u>594,478</u>

Debt service:

Principal	4,653
	<u>4,653</u>
Total expenditures	<u>6,709,777</u>

Net change in fund balance	(157,584)
Fund balance, beginning of year	<u>7,966,553</u>
Fund balance, end of year	<u><u>\$ 7,808,969</u></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 FISCAL YEAR ENDED JUNE 30, 2020**

Total net change in fund balance - governmental fund	\$ (157,584)
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	(6,180)
Revenues in the governmental fund's statement that do not provide current financial resources are not reported as revenue in the fund.	(229,395)
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	4,653
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>(20,092)</u>
Change in net position of governmental activities	<u><u>\$ (408,598)</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, 2020**

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

**Reporting Entity**

The Monterey County Children and Families Commission (the Commission), a discretely presented 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 Board of Commissioners 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, 2020**

**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 fiscal 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, 2020**

**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 fiscal 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 time 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, 2020**

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

**Budget and Budgetary Reporting** – The Commission is required to prepare a budget each fiscal 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 fiscal year require the approval of the Board of Commissioners. All unencumbered annual appropriations lapse at the end of each fiscal year.

**Fund Balance** – 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.
- **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, 2020**

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

**New Accounting Pronouncements** – During the fiscal year ended June 30, 2020, the Commission implemented the following standards.

**GASB Statement No. 95** – *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and stakeholders in light of the COVID-19 pandemic.

The requirements of this statement are effective immediately. The effective dates for GASB Statements Nos. 84, 88, 89, 90, 91, 92, and 93 were postponed by one year for the Commission. The effective date for GASB Statement No. 87 was postponed by 18 months for the Commission.

**Future Accounting Pronouncements** – Recently released standards by GASB affecting future fiscal years are as follows:

**GASB Statement No. 84** – *Fiduciary Activities*. The requirements of this statement are effective for fiscal years beginning after December 15, 2019. The Commission has not fully judged the impact of the implementation of this standard on the financial statements.

**GASB Statement No. 87** – *Leases*. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. The Commission has not fully judged the effect of implementation of this standard as of the date of the financial statements.

**GASB Statement No. 89** – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for fiscal years beginning after December 15, 2020. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**GASB Statement No. 90** – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for fiscal years beginning after December 15, 2019. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**GASB Statement No. 91** – *Conduit Debt Obligations*. The requirements of this statement are effective for fiscal years beginning after December 15, 2021. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**GASB Statement No. 92** – *Omnibus 2020*. The requirements of this statement related to intra-entity transfers of assets and those related to the applicability of GASB Statements No. 73 and No. 74, application of GASB Statement No. 84 to post employment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities, and the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for fiscal years beginning after June 15, 2021. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**GASB Statement No. 93** – *Replacement of Interbank Offered Rates*. The requirements of this statement, except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. The requirement in paragraph 11b is effective for fiscal years ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**GASB Statement No. 94** – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**GASB Statement No. 96** – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The Commission has not fully judged the impact of implementation of this standard on the financial statements.

**GASB Statement No. 97** – *Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment to GASB Statement No. 14 and 84 and a supersession of GASB Statement No. 32*. The requirements in paragraph 4 as it applies to defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, and paragraph 5 are effective immediately. All other requirements are applicable for fiscal years beginning after June 15, 2020. The Commission has not fully judged the impact of this implementation of this standard on the financial statements.

**NOTE 2 – CASH**

Cash consisted of the following at June 30, 2020:

Petty cash	\$	150
Cash in bank		1,925,205
Monterey County Treasury Investment Pool		6,298,723
Community Foundation Fund		50,000
		50,000
 Total	 \$	 8,274,078
		8,274,078

**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 Investment Pool** – The Commission has \$6,298,723 invested in the County of Monterey’s Treasury Investment Pool at June 30, 2020. 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, 3<sup>rd</sup> Floor, Salinas, CA 93901.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 – CASH** (Continued)

**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, 2020:

- Monterey County's Treasury Investment 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, 2020:

Proposition 10 revenue for May and June	\$ 462,353
IMPACT grant	365,094
SMIF	<u>13,470</u>
Total due from the State	<u><u>\$ 840,917</u></u>

**NOTE 4 – CAPITAL ASSETS**

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Governmental activities:				
Furniture	\$ 30,001	\$ -	\$ -	\$ 30,001
Equipment	51,426	-	-	51,426
Website	<u>14,250</u>	-	-	<u>14,250</u>
Total	<u>95,677</u>	-	-	<u>95,677</u>
Less accumulated depreciation for:				
Furniture	30,001	-	-	30,001
Equipment	37,175	6,180	-	43,355
Website	<u>14,250</u>	-	-	<u>14,250</u>
Accumulated depreciation	<u>81,426</u>	<u>6,180</u>	-	<u>87,606</u>
Total capital assets – net of accumulated depreciation	<u><u>\$ 14,251</u></u>	<u><u>\$ (6,180)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,071</u></u>

Depreciation expense for the fiscal year ended June 30, 2020, was \$6,180.



**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 – LONG-TERM DEBT**

General long-term debt balances and transactions for the fiscal year ended June 30, 2020, are as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Capital lease - copier	\$ 8,143	\$ -	\$ (4,653)	\$ 3,490	\$ 3,490
Compensated absences	102,453	68,297	(48,205)	122,545	47,709
Total	<u>\$ 110,596</u>	<u>\$ 68,297</u>	<u>\$ (52,858)</u>	<u>\$ 126,035</u>	<u>\$ 51,199</u>

**Capital Lease**

During the fiscal 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, 2020, the Commission's liability under the capital lease agreement and the minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2021	\$ 3,490
Total	<u>\$ 3,490</u>

**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 fiscal year ended June 30, 2020, was \$59,659.

**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 July 2017 through March 2023. As of June 30, 2020, the Commission had commitments of \$3,641,153 with respect to these unfinished contracts.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – PROGRAM EVALUATION COSTS**

The Commission spent \$260,691, within the governmental fund, on program evaluation for the fiscal year ended June 30, 2020.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The legally required composition of the Board of Commissioners 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 2019-2020 and amounts paid under those contracts during the fiscal year 2019-2020 to agencies represented by Commissioners:

<b><u>Contracts</u></b>	<b><u>Contract Amount</u></b>	<b><u>Amount Paid</u></b>
Door to Hope	\$ 774,765	\$ 733,647
Monterey County Office of Education	315,452	293,605
Total	<u>\$ 1,090,217</u>	<u>\$ 1,027,252</u>

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 15, 2020, which is the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County of Monterey, followed by the Governor of California, issued a Shelter at Home order effective March 19, 2020, requiring non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Proposition 10 allocation	\$ 3,724,970	\$ 4,249,970	\$ 4,463,625	\$ 213,655
State grants	261,688	363,268	82,173	(281,095)
Other grants	1,827,667	1,693,667	1,802,065	108,398
Investment income	98,662	118,662	171,954	53,292
Other revenue	33,000	33,000	32,376	(624)
Total revenues	<u>5,945,987</u>	<u>6,458,567</u>	<u>6,552,193</u>	<u>93,626</u>
<b>EXPENDITURES</b>				
Programs and services:				
Grant and direct program expenditures	3,986,763	3,945,803	3,837,264	108,539
Salaries and benefits	1,228,910	1,155,930	1,052,718	103,212
Program support expenditures	652,335	602,448	518,118	84,330
Community education/sponsorships	369,350	394,050	441,855	(47,805)
Total programs and services	<u>6,237,358</u>	<u>6,098,231</u>	<u>5,849,955</u>	<u>248,276</u>
Evaluation:				
Contractors	317,309	197,121	126,151	70,970
Salaries and benefits	252,288	131,288	130,598	690
Evaluation and support expenditures	50,538	11,260	3,942	7,318
Total evaluation	<u>620,135</u>	<u>339,669</u>	<u>260,691</u>	<u>78,978</u>
Administration:				
Salaries and benefits	477,038	388,038	392,337	(4,299)
Rent/utilities	79,923	67,231	64,069	3,162
Professional fees	36,000	82,500	58,856	23,644
Insurance	19,200	20,275	18,439	1,836
Training and conferences	3,200	2,350	2,122	228
Computer supplies and maintenance	32,140	32,140	27,130	5,010
Supplies/services	30,807	31,492	14,197	17,295
Telephone	6,740	10,240	7,878	2,362
Janitorial	12,840	11,580	9,450	2,130
Total administration	<u>697,888</u>	<u>645,846</u>	<u>594,478</u>	<u>51,368</u>
Debt service:				
Principal	4,653	4,653	4,653	-
Total debt service	<u>4,653</u>	<u>4,653</u>	<u>4,653</u>	<u>-</u>
Contingency	297,299	322,928	-	322,928
Total expenditures	<u>7,857,333</u>	<u>7,411,327</u>	<u>6,709,777</u>	<u>701,550</u>
Net change in fund balance	<u>\$ (1,911,346)</u>	<u>\$ (952,760)</u>	<u>\$ (157,584)</u>	<u>\$ 795,176</u>

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**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, 2020, the governmental fund has expenditures over appropriations as follows:

	<u>Governmental Fund</u>
Programs and Services	
Community education/sponsorships	\$ (47,805)
Administration	
Salaries and benefits	(4,299)

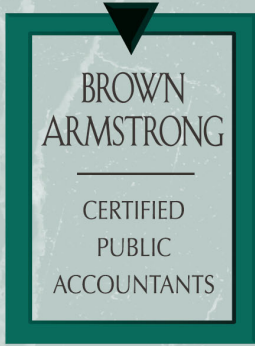
**SUPPLEMENTARY INFORMATION**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE BY FUND SOURCE FOR FIRST 5 CALIFORNIA (F5CA) FUNDING  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	F5CA IMPACT Grant
REVENUES	
Current	
Program revenue	\$ 82,173
Total revenues	82,173
EXPENDITURES	
Current	
Program expenditures	432,514
Total expenditures	432,514
Change in fund balance	(350,341)
Fund balance, beginning of year	(76,759)
Fund balance, end of year	\$ (427,100)

**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 the major fund of the Monterey County Children and Families Commission (Commission), a discrete component unit of the County of Monterey, California, as of and for the fiscal year ended June 30, 2020, 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 15, 2020.

### **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*.

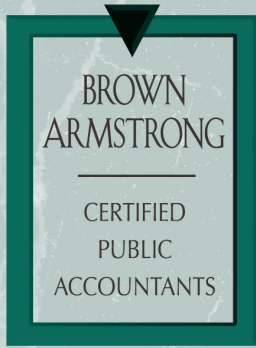
## Purpose of this Report

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

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
September 15, 2020



# 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 (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 fiscal year ended June 30, 2020.

### 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 has 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 fiscal year ended June 30, 2020.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
September 15, 2020