

**MONTEREY COUNTY
CHILDREN AND FAMILIES COMMISSION**

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

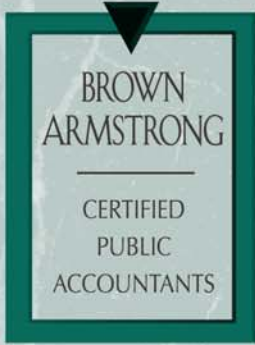
**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
JUNE 30, 2021

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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, the major fund, and the aggregate remaining fund information of the Monterey County Children and Families Commission (Commission), a discretely presented component unit of the County of Monterey, California, as of and for the fiscal year ended June 30, 2021, 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, the major fund, and aggregate remaining fund information of the Commission, as of June 30, 2021, 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 (F5CA) 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 17, 2021, 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 17, 2021

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021**

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, 2021.

FINANCIAL HIGHLIGHTS

Based upon birth rate, the Commission was allocated revenues of \$4.21 million from the State of California as revenues collected under the Act. The total amount of revenue, including revenue allocated by birth rate, was \$7.23 million. During the fiscal year 2020-2021, the Commission disbursed approximately \$3.45 million in grant and direct program expenditures. The Commission also spent approximately \$1.00 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, 2021**

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 9 and 10 of this report.

Governmental 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 governmental fund. A budgetary comparison schedule has been provided for the fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 11 through 14 of this report.

Custodial Fund Financial Statements – The Commission also has a Custodial Fund – The Early Childhood Equity Stewardship Fund, which is a new fiduciary fund. This fund is held at the Community Foundation for Monterey County and its purpose is ensure that children of all races and socio-economic status flourish. The fund provides critical funding to the Commission and its partners to:

- Prepare children 0-5 to start school ready to learn;
- Support parents with additional skills and resources to promote their children's growth and development; and
- Support providers and systems leaders with the training and experiences they need to center diversity and equity in all that they do.

The balance in The Early Childhood Equity Stewardship Fund on June 30, 2021, including all unrealized gains, was \$174,890. As per Governmental Accounting Standards Board (GASB) Statement No. 84, this custodial fund is required to be disclosed as a separate fiduciary fund. The custodial fund financial statements can be found on pages 15 through 16 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 17 through 26 of this report.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS OF THE GENERAL FUND

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.

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

Net Position				
June 30:				
	2021	2020	Change	%
Current and other assets	\$ 10,392,977	\$ 9,961,244	\$ 431,733	4%
Capital assets - net	11,934	8,071	3,863	48%
Total assets	10,404,911	9,969,315	435,596	4%
Current liabilities	1,970,481	1,815,379	155,102	9%
Non-current liabilities	104,429	74,836	29,593	40%
Total liabilities	2,074,910	1,890,215	184,695	10%
Net position				
Net investment in capital assets	3,055	4,581	(1,526)	-33%
Restricted	466,943	51,214	415,729	812%
Unrestricted	7,860,003	8,023,305	(163,302)	-2%
Total net position	\$ 8,330,001	\$ 8,079,100	\$ 250,901	3%

The increase in total assets of \$435,596 reflects more cash on hand at fiscal year-end due to grants that crossed fiscal years and underspending as some events and activities could not occur due to COVID-19 related challenges.

Total liabilities increased by \$184,695 primarily as a result of higher fiscal year-end accruals reflecting the fourth quarter activities.

The \$1,526 decrease in net investment in capital assets was due to continued depreciation of the Commission's capital assets (excluding capital lease).

The increase in net position by \$250,901 for the fiscal year ended June 30, 2021, reflects the grants received which crossed fiscal years. The restricted portion of net position was \$466,943 which reflects items for which an external enforceable limitation exists.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021**

Changes in Net Position

The changes in Net Position during the reporting period were 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:

For the Fiscal Year Ended June 30:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
Total Revenues	\$ 6,780,838	\$ 6,322,798	\$ 458,040	7%
Total Expenses	(6,479,937)	(6,731,396)	(251,459)	-4%
Increase (Decrease) in Net Position Before Transfers	300,901	(408,598)	709,499	174%
Transfers	(50,000)	-	50,000	100%
Change in Net Position	<u>250,901</u>	<u>(408,598)</u>	<u>659,499</u>	<u>161%</u>
Net Position, Beginning of the Year	<u>8,079,100</u>	<u>8,487,698</u>	<u>(408,598)</u>	<u>-5%</u>
Net Position, End of the Year	<u>\$ 8,330,001</u>	<u>\$ 8,079,100</u>	<u>\$ 250,901</u>	<u>3%</u>

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
Program revenues:				
Proposition 10 allocation	\$ 4,211,162	\$ 3,884,843	\$ 326,319	8%
State grants	362,523	447,268	(84,745)	-19%
Foundation grants	2,117,903	1,825,065	292,838	16%
Other revenue	37,582	4,186	33,396	798%
	<u>6,729,170</u>	<u>6,161,362</u>	<u>567,808</u>	<u>9%</u>
General revenues:				
Investment income	51,668	161,436	(109,768)	-68%
Total revenues	<u>\$ 6,780,838</u>	<u>\$ 6,322,798</u>	<u>\$ 458,040</u>	<u>7%</u>

The State grants line reflects revenue from the First 5 IMPACT Grant, First 5 Dual Language Learner Grant, and the First 5 Home Visiting Grant. The Foundation grants line reflects revenue from the County Health Department, the County Department of Social Services, Packard Foundation, Sunlight Giving, Monterey Peninsula Foundation, Claire Giannini Fund, and The California Endowment.

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021**

Changes in the Commission's expenses were as follows:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>%</u>
Expenses				
Program and services	\$ 5,462,213	\$ 5,858,382	\$ (396,169)	-7%
Evaluation	422,989	264,214	158,775	60%
Administration and interest	<u>594,735</u>	<u>608,800</u>	<u>(14,065)</u>	<u>-2%</u>
Total expenses	<u>\$ 6,479,937</u>	<u>\$ 6,731,396</u>	<u>\$ (251,459)</u>	<u>-4%</u>

Program and services shows a decrease of \$396,169 mainly due to challenges in spending as a result of COVID-19 related restrictions.

The Evaluation expense increase of \$158,775 is mainly attributable to filling the Director of Evaluation and Learning Staff position and an additional contract for Evaluation Outcomes.

The Administration and interest expense decrease of \$14,065 is mainly attributable to decreased office expenses due to COVID-19 restrictions in fiscal year 2020-2021.

FINANCIAL ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND

The Commission has a governmental 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 basis of 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 increased by \$600,366 in fiscal year 2020-2021 as compared to the government-wide increase in net position of \$250,901. The primary differences between the two are that the governmental fund statements do not include depreciation, capital outlay, unavailable revenue, principal payments of capital leases, and the accrual of compensated absences, all of which are not considered sources/uses of current assets. At the end of the fiscal year, the Commission was able to report an increase in the fund balance. Revenue increased from the prior year. Also, the Commission was able to attribute some of the Administrative staff expenses to specific programs.

Fund Budgetary Highlight – Actual total expenditures were \$1,960,952 less than budgeted. Approximately \$1,437,256 of the underspending was from the Grant and Direct Program Expenditures, Program Support Expenditures, and Community Education/Sponsorships lines reflecting general program underspending. Approximately \$79,419 of underspending was from the Salaries and Benefits line reflecting an open position. \$330,882 of the underspending was 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, review of actual expenditures, and anticipated fluctuations due to the ongoing pandemic.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Commission's capital assets for its governmental activities as of June 30, 2021, amounted to \$11,934 (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 \$104,429.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2021**

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, 2021

ASSETS

Current assets:	
Cash	\$ 9,430,680
Due from the State	450,721
Other receivable	497,987
Interest receivable	9,000
Prepaid expense	<u>4,589</u>
Total current assets	10,392,977
Capital assets, net of depreciation	<u>11,934</u>
TOTAL ASSETS	<u><u>\$ 10,404,911</u></u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities:	
Accounts payable	\$ 307,762
Accrued salaries	48,513
Grants payable	1,557,292
Long-term debt:	
Due within one year	56,914
Due in more than one year	<u>104,429</u>
TOTAL LIABILITIES	<u>2,074,910</u>

NET POSITION

Net investment in capital assets	3,055
Restricted	466,943
Unrestricted	<u>7,860,003</u>
TOTAL NET POSITION	<u>8,330,001</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 10,404,911</u></u>

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, 2021**

Functions/Programs	Expenses	Program Revenues <hr/> Operating Grants and Contributions	Net (Expense) and Revenue and Change in Net Position <hr/> Governmental Activities
Governmental Activities:			
Program and services:			
Grant and direct program expenses	\$ 3,453,750	\$ -	\$ (3,453,750)
Salaries and benefits	1,220,042	-	(1,220,042)
Program support expenses	607,845	-	(607,845)
Community education/sponsorships	180,576	-	(180,576)
Proposition 10 allocation	-	4,211,162	4,211,162
State grants	-	362,523	362,523
Other grants	-	2,117,903	2,117,903
Other revenue	-	37,582	37,582
Evaluation:			
Contractors	216,145	-	(216,145)
Salaries and benefits	204,820	-	(204,820)
Evaluation support expenses	2,024	-	(2,024)
Administration:			
Salaries and benefits	445,674	-	(445,674)
Rent/utilities	58,487	-	(58,487)
Professional fees	45,712	-	(45,712)
Insurance	18,740	-	(18,740)
Depreciation	5,824	-	(5,824)
Training and conferences	1,112	-	(1,112)
Computer supplies and maintenance	17,455	-	(17,455)
Supplies/services	(18,641)	-	18,641
Telephone	8,972	-	(8,972)
Janitorial	11,400	-	(11,400)
Totals	\$ 6,479,937	\$ 6,729,170	249,233
General Revenues:			
Investment income			51,668
Transfers			<u>(50,000)</u>
Total General Revenues and Transfers			<u>1,668</u>
Change in Net Position			250,901
Net Position - Beginning of Year			<u>8,079,100</u>
Net Position - End of Year			<u>\$ 8,330,001</u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2021**

ASSETS

Current Assets	
Cash	\$ 9,430,680
Due from the State	450,721
Other receivables	497,987
Interest receivable	9,000
Prepaid expense	<u>4,589</u>
TOTAL ASSETS	<u>\$ 10,392,977</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 307,762
Accrued salaries	48,513
Grants payable	<u>1,557,292</u>
TOTAL LIABILITIES	<u>1,913,567</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue	
Grants	<u>70,075</u>

FUND BALANCE

Nonspendable:	
Not in spendable form	4,589
Restricted:	
Private grants	466,943
Committed:	
Program allocation	15,440
Assigned:	
Contracts	7,522,294
Unassigned:	
Unassigned	<u>400,069</u>
TOTAL FUND BALANCE	<u>8,409,335</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 10,392,977</u>
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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, 2021**

Total fund balance - governmental fund	\$	8,409,335
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.		11,934
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.		70,075
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Capital lease		(8,879)
Compensated absences		(152,464)
		(161,343)
Total net position - governmental activities	\$	8,330,001

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, 2021**

REVENUES

Proposition 10 allocation	\$ 4,211,162
State grants	657,543
Other grants	2,140,903
Investment income	51,668
Other revenue	47,269
	7,108,545
Total revenues	7,108,545

EXPENDITURES

Programs and services:	
Grant and direct program expenditures	3,453,750
Salaries and benefits	1,201,219
Program support expenditures	607,845
Community education/sponsorships	180,576
	5,443,390
Total programs and services	5,443,390

Evaluation:	
Contractors	216,145
Salaries and benefits	205,488
Evaluation and support expenditures	2,024
	423,657
Total evaluation	423,657

Administration:	
Salaries and benefits	433,910
Rent/utilities	58,487
Professional fees	45,712
Insurance	18,740
Training and conferences	1,112
Computer supplies and maintenance	17,455
Supplies/services	(18,641)
Telephone	8,972
Janitorial	11,400
	577,147
Total administration	577,147

Capital outlay	9,687
Debt service:	
Principal	4,298
	4,298
Total expenditures	6,458,179

Excess of revenues over expenditures	650,366
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Other financing sources (uses):	
Transfers out	(50,000)
	(50,000)

Net change in fund balance	600,366
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Fund balance, beginning of year	7,808,969
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Fund balance, end of year	\$ 8,409,335
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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, 2021**

Net change in fund balance - governmental fund	\$	600,366
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. This is the amount by which additions to capital outlay \$9,687 exceeded depreciation expense (\$5,824):		
		3,863
Revenues in the governmental fund's statement that do not provide current financial resources are not reported as revenue in the fund.		(318,020)
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:		
Capital lease		(9,687)
Principal payments		4,298
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>(29,919)</u>
Change in net position of governmental activities	<u>\$</u>	<u>250,901</u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUND
JUNE 30, 2021**

ASSETS

Assets held by others	<u>\$ 174,890</u>
TOTAL ASSETS	<u><u>\$ 174,890</u></u>

NET POSITION

Restricted for: Individuals, organizations, and other government	<u>\$ 174,890</u>
TOTAL NET POSITION	<u><u>\$ 174,890</u></u>

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

ADDITIONS

Contributions:		
Contributions to investment pool		\$ 101,578
Total contributions		101,578
Net investment income:		
Investment income		23,312
Net investment income		23,312
Transfers from other funds		50,000
Total additions		174,890
Net increase in fiduciary net position		174,890
Net position, beginning of year		-
Net position, end of year		\$ 174,890

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

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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 on all the non-fiduciary activities of 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, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting (Continued)

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Commission. Since the resources of the fiduciary funds are not available to support the Commission's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The Commission maintains one type of fiduciary fund, the custodial fund.

Custodial Fund Financial Statements

As a result of implementing GASB Statement No. 84, *Fiduciary Activities*, the Commission now reports a new Custodial Fund. The Early Childhood Equity Stewardship Fund is held at the Community Foundation for Monterey County and its purpose is ensure that children of all races and socio-economic status flourish. The fund provides critical funding to the Commission and its partners to:

- Prepare children 0-5 to start school ready to learn;
- Support parents with additional skills and resources to promote their children's growth and development; and
- Support providers and systems leaders with the training and experiences they need to center diversity and equity in all that they do.

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

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deferred Inflows of Resources

The Commission records deferred inflows of resources for the acquisition of resources applicable to a future reporting period. In the governmental fund statements, deferred inflows of resources consist of revenue not collected within the availability period after fiscal year-end.

Proposition 10 Allocation

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

Budget and Budgetary Reporting

The Commission is required to prepare a budget each 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:

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- **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.

New Accounting Pronouncements

During the fiscal year ended June 30, 2021, the Commission implemented the following standards:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement were effective for fiscal years beginning after December 15, 2019. The implementation of this standard resulted in the presentation of new fiduciary custodian fund 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's net position was not impacted as a result of implementation of this standard.

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

Recently released standards by GASB affecting future fiscal years are as follows:

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. 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 postemployment 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 as of the date of the financial statements.

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 Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32. The requirements in (1) paragraph 4 of this statement as it applies to defined contribution pension plans, defined contribution other postemployment benefits (OPEB) plans, and other employee benefit plans and (2) paragraph 5 of this statement are effective immediately. For all others, the requirements of this statement are effective for the fiscal years beginning after June 15, 2021. For those paragraphs effective immediately, there is no impact on the Commission's financial statements. For all others, the Commission has not fully judged the impact of implementation of this standard as of the date of the financial statements.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – CASH

Cash consisted of the following at June 30, 2021:

<u>General Fund</u>	
Petty cash	\$ 150
Cash in bank	1,827,629
Monterey County Treasury Investment Pool	7,602,901
Subtotal	9,430,680
<u>Custodial Fund</u>	
Assets held by others	174,890
Total	\$ 9,605,570

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 \$7,602,901 invested in the County of Monterey’s Treasury Investment Pool at June 30, 2021. 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. Monterey 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, 2021:

- Monterey County’s Treasury Investment Pool is valued using quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. (Level 2)

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – DUE FROM THE STATE

Due from the State consisted of the following at June 30, 2021:

Proposition 10 revenue for June	\$ 257,926
IMPACT grant	120,174
Home visiting grant	12,529
Dual Language Learner	57,547
Surplus Money Interest Fund (SMIF)	<u>2,545</u>
Total due from the State	<u><u>\$ 450,721</u></u>

NOTE 4 – CAPITAL ASSETS

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Governmental activities:				
Furniture	\$ 30,001	\$ -	\$ -	\$ 30,001
Equipment	51,426	9,687	(29,233)	31,880
Website	<u>14,250</u>	<u>-</u>	<u>-</u>	<u>14,250</u>
Total	<u>95,677</u>	<u>9,687</u>	<u>(29,233)</u>	<u>76,131</u>
Less accumulated depreciation for:				
Furniture	30,001	-	-	30,001
Equipment	43,355	5,824	(29,233)	19,946
Website	<u>14,250</u>	<u>-</u>	<u>-</u>	<u>14,250</u>
Accumulated depreciation	<u>87,606</u>	<u>5,824</u>	<u>(29,233)</u>	<u>64,197</u>
Total capital assets – net of accumulated depreciation	<u><u>\$ 8,071</u></u>	<u><u>\$ 3,863</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,934</u></u>

Depreciation expense for the fiscal year ended June 30, 2021, was \$5,824.

NOTE 5 – LONG-TERM DEBT

General long-term debt balances and transactions for the fiscal year ended June 30, 2021, are as follows:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Capital lease - copier	\$ 3,490	\$ 9,687	\$ (4,298)	\$ 8,879	\$ 3,229
Compensated absences	<u>122,545</u>	<u>83,909</u>	<u>(53,990)</u>	<u>152,464</u>	<u>53,685</u>
Total	<u><u>\$ 126,035</u></u>	<u><u>\$ 93,596</u></u>	<u><u>\$ (58,288)</u></u>	<u><u>\$ 161,343</u></u>	<u><u>\$ 56,914</u></u>

MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – LONG-TERM DEBT (Continued)

Capital Lease

During the fiscal year ended June 30, 2021, the Commission entered into a new lease agreement for financing the acquisition of a copier. Amortization is included in depreciation expense on the government-wide statements. The lease was issued at zero percent rate of interest. As of June 30, 2021, the Commission’s liability under the capital lease agreement and the minimum lease payments are as follows:

Year Ending June 30,	Principal
2022	\$ 3,229
2023	3,229
2024	2,421
Total	\$ 8,879

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, 2021, was \$80,557.

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, 2021, the Commission had commitments of \$7,978,270 with respect to these unfinished contracts.

NOTE 9 – PROGRAM EVALUATION COSTS

The Commission spent \$423,657, within the governmental fund, on program evaluation for the fiscal year ended June 30, 2021.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 2020-2021 and amounts paid under those contracts during the fiscal year 2020-2021 to agencies represented by Commissioners:

<u>Contracts</u>	<u>Contract Amount</u>	<u>Amount Paid</u>
Door to Hope	\$ 791,110	\$ 769,319
Monterey County Office of Education	305,739	198,913
Total	<u>\$ 1,096,849</u>	<u>\$ 968,232</u>

NOTE 11 – TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

	Transfers In
Transfers Out	Custodial Fund
General Fund	\$ 50,000

Transfers into the custodial fund was for an initial investment.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 17, 2021, which is the date the financial statements were issued. There were no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Proposition 10 allocation	\$ 3,487,630	\$ 3,487,630	\$ 4,211,162	\$ 723,532
State grants	362,953	800,818	657,543	(143,275)
Other grants	1,641,000	2,188,500	2,140,903	(47,597)
Investment income	89,200	89,200	51,668	(37,532)
Other revenue	51,000	51,500	47,269	(4,231)
Total revenues	<u>5,631,783</u>	<u>6,617,648</u>	<u>7,108,545</u>	<u>490,897</u>
EXPENDITURES				
Programs and services:				
Grant and direct program expenditures	3,965,740	3,899,519	3,453,750	445,769
Salaries and benefits	1,433,184	1,258,184	1,201,219	56,965
Program support expenditures	770,940	1,294,868	607,845	687,023
Community education/sponsorships	394,500	485,040	180,576	304,464
Total programs and services	<u>6,564,364</u>	<u>6,937,611</u>	<u>5,443,390</u>	<u>1,494,221</u>
Evaluation:				
Contractors	330,000	300,000	216,145	83,855
Salaries and benefits	205,819	212,690	205,488	7,202
Evaluation and support expenditures	25,172	4,452	2,024	2,428
Total evaluation	<u>560,991</u>	<u>517,142</u>	<u>423,657</u>	<u>93,485</u>
Administration:				
Salaries and benefits	455,662	449,162	433,910	15,252
Rent/utilities	64,069	59,500	58,487	1,013
Professional fees	54,500	46,500	45,712	788
Insurance	20,600	20,600	18,740	1,860
Training and conferences	5,000	1,000	1,112	(112)
Computer supplies and maintenance	25,300	20,500	17,455	3,045
Supplies/services	30,687	(7,341)	(18,641)	11,300
Telephone	8,800	9,175	8,972	203
Janitorial	11,400	11,400	11,400	-
Total administration	<u>676,018</u>	<u>610,496</u>	<u>577,147</u>	<u>33,349</u>
Capital outlay	18,000	18,000	9,687	8,313
Debt service:				
Principal	5,000	5,000	4,298	702
Total debt service	<u>5,000</u>	<u>5,000</u>	<u>4,298</u>	<u>702</u>
Contingency	281,589	330,882	-	330,882
Total expenditures	<u>8,105,962</u>	<u>8,419,131</u>	<u>6,458,179</u>	<u>1,960,952</u>
Revenues over (under) expenditures	<u>\$ (2,474,179)</u>	<u>\$ (1,801,483)</u>	<u>\$ 650,366</u>	<u>\$ 2,451,849</u>

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

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, 2021, the governmental fund has expenditures over appropriations as follows:

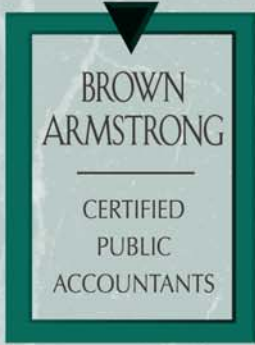
	<u>Governmental Fund</u>
Administration	
Training and conferences	\$ (112)

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, 2021**

	F5CA IMPACT Grant
REVENUES	
Current	
Program revenue	\$ 646,225
Total revenues	646,225
EXPENDITURES	
Current	
Program expenditures	235,321
Total expenditures	235,321
Change in fund balance	410,904
Fund balance, beginning of year	(427,100)
Fund balance, end of year	\$ (16,196)

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, the major fund, and the aggregate remaining fund information of the Monterey County Children and Families Commission (Commission), a discretely presented component unit of the County of Monterey, California, as of and for the fiscal year ended June 30, 2021, 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 17, 2021.

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) as a basis for designing 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 financial statements. 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*.

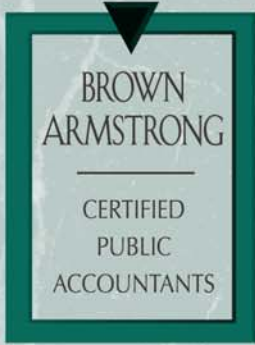
Purpose of this Report

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 17, 2021



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, 2021.

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 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, 2021.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
September 17, 2021