

**MONTEREY COUNTY  
CHILDREN AND FAMILIES COMMISSION**

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
JUNE 30, 2022**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### *Opinions*

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, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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.

### **Supplementary 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. The 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 19, 2022, 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

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

Stockton, California  
September 19, 2022

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2022**

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, 2022.

### **FINANCIAL HIGHLIGHTS**

Based upon birth rate, the Commission was allocated revenues of \$4.1 million from the State of California as revenues collected under the Act. The total amount of revenue, including revenue allocated by birth rate, was \$7.8 million. During the fiscal year 2021-2022, the Commission disbursed approximately \$4.6 million in grant and direct program expenditures. The Commission also spent approximately \$1.1 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, 2022**

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 10 and 11 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 12 through 15 of this report.

**Custodial Fund Financial Statements** – The Commission also has a Custodial Fund – The Early Childhood Equity Stewardship Fund, which is a 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, 2022, including all unrealized gains, was \$160,548. 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 16 through 17 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 18 through 27 of this report.



**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2022**

**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:

<b>Net Position June 30:</b>				
	2022	2021	Change	%
Current and other assets	\$ 10,613,329	\$ 10,392,977	\$ 220,352	2%
Capital assets - net	95,920	11,934	83,986	704%
Total assets	10,709,249	10,404,911	304,338	3%
Current liabilities	2,195,791	1,970,481	225,310	11%
Non-current liabilities	107,723	104,429	3,294	3%
Total liabilities	2,303,514	2,074,910	228,604	11%
<b>Net position</b>				
Net investment in capital assets	1,528	3,055	(1,527)	-50%
Restricted	318,557	466,943	(148,386)	-32%
Unrestricted	8,085,650	7,860,003	225,647	3%
Total net position	\$ 8,405,735	\$ 8,330,001	\$ 75,734	1%

The increase in total assets of \$304,338 reflects more cash on hand at fiscal year-end due to grants that crossed fiscal years and capitalization of a building lease as per GASB Statement No. 87.

Total liabilities increased by \$228,604 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 leases).

The increase in net position by \$75,734 for the fiscal year ended June 30, 2022, reflects the grants received which crossed fiscal years. The restricted portion of net position was \$318,557 which reflects items for which an external enforceable limitation exists.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2022**

**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>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Total Revenues	\$ 7,791,676	\$ 6,780,838	\$ 1,010,838	15%
Total Expenses	(7,715,942)	(6,479,937)	1,236,005	19%
Increase in Net Position Before Transfers	75,734	300,901	(225,167)	-75%
Transfers	-	(50,000)	(50,000)	-100%
Change in Net Position	<u>75,734</u>	<u>250,901</u>	<u>(175,167)</u>	<u>-70%</u>
Net Position, Beginning of the Year	<u>8,330,001</u>	<u>8,079,100</u>	<u>250,901</u>	<u>3%</u>
Net Position, End of the Year	<u><u>\$ 8,405,735</u></u>	<u><u>\$ 8,330,001</u></u>	<u><u>\$ 75,734</u></u>	<u><u>1%</u></u>

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Program revenues:				
Proposition 10 allocation	\$ 4,057,434	\$ 4,211,162	\$ (153,728)	-4%
State grants	921,758	362,523	559,235	154%
Foundation grants	2,746,296	2,117,903	628,393	30%
Other revenue	40,464	37,582	2,882	8%
	<u>7,765,952</u>	<u>6,729,170</u>	<u>1,036,782</u>	<u>15%</u>
General revenues:				
Investment income	<u>25,724</u>	<u>51,668</u>	<u>(25,944)</u>	<u>-50%</u>
Total revenues	<u><u>\$ 7,791,676</u></u>	<u><u>\$ 6,780,838</u></u>	<u><u>\$ 1,010,838</u></u>	<u><u>15%</u></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, Sunlight Giving, Monterey Peninsula Foundation, Futures without Violence, California Health and Human Services Agency, Mexican American Opportunity Foundation, Community Foundation for Monterey County, and United Way Monterey County.

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, 2022**

Changes in the Commission's expenses were as follows:

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Expenses				
Program and services	\$ 6,514,123	\$ 5,462,213	\$ 1,051,910	19%
Evaluation	528,736	422,989	105,747	25%
Administration and interest	<u>673,083</u>	<u>594,735</u>	<u>78,348</u>	<u>13%</u>
Total expenses	<u>\$ 7,715,942</u>	<u>\$ 6,479,937</u>	<u>\$ 1,236,005</u>	<u>19%</u>

Program and services shows an increase of \$1,051,910 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, Futures Without Violence All-in-for-Kids Grant, Department of Health Bright Beginnings One-Time Funding Grant, and Department of Health Child Care Stipends Grant.

The Evaluation expense increase of \$105,747 is mainly attributable to being fully staffed for the year and the continued contract for Evaluation Outcomes.

The Administration and interest expense increase of \$78,348 is mainly attributable to staff returning to the office after remote work in prior year and computer hardware, software, and IT support needs for staff in fiscal year 2021-202.

**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 decreased by \$331,744 in fiscal year 2021-2022 as compared to the government-wide increase in net position of \$75,734. 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.

Fund Budgetary Highlight – Actual total expenditures were \$1,113,897 less than budgeted. Approximately \$704 thousand of the underspending was from the Grant and Direct Program Expenditures, Program Support Expenditures, and Community Education/Sponsorships lines reflecting general program underspending. Approximately \$82 thousand of underspending was from the Salaries and Benefits line reflecting an open position. \$381 thousand 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 continued pandemic challenges.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – The Commission's capital assets for its governmental activities as of June 30, 2022, amounted to \$95,920 (net of accumulated depreciation). Capital assets include furniture, equipment, website, and capital lease for the office building.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2022**

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 \$107,723.

**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 28, 2022.

The following factors are considered in preparing the Commission's fiscal year 2022-2023 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, 2022**

**ASSETS**

Current assets:

Cash	\$ 8,502,376
Due from the State	1,010,125
Other receivable	1,089,762
Interest receivable	4,500
Prepaid expense	6,566
	6,566

Total current assets 10,613,329

Capital assets, net of depreciation 95,920

**TOTAL ASSETS \$ 10,709,249**

**LIABILITIES AND NET POSITION**

LIABILITIES

Current liabilities:

Accounts payable	\$ 355,021
Accrued salaries	62,629
Grants payable	1,646,146

Long-term debt:

Due within one year	131,995
Due in more than one year	107,723
	107,723

**TOTAL LIABILITIES 2,303,514**

NET POSITION

Net investment in capital assets	1,528
Restricted	318,557
Unrestricted	8,085,650
	8,085,650

**TOTAL NET POSITION 8,405,735**

**TOTAL LIABILITIES AND NET POSITION \$ 10,709,249**

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, 2022**

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	\$ 4,601,244	\$ -	\$ (4,601,244)
Salaries and benefits	1,291,366	-	(1,291,366)
Program support expenses	374,610	-	(374,610)
Community education/sponsorships	246,903	-	(246,903)
Proposition 10 allocation	-	4,057,434	4,057,434
State grants	-	921,758	921,758
Other grants	-	2,746,296	2,746,296
Other revenue	-	40,464	40,464
Evaluation:			
Contractors	281,256	-	(281,256)
Salaries and benefits	242,669	-	(242,669)
Evaluation support expenses	4,811	-	(4,811)
Administration:			
Salaries and benefits	468,721	-	(468,721)
Rent/utilities	15,091	-	(15,091)
Professional fees	38,722	-	(38,722)
Insurance	20,761	-	(20,761)
Depreciation	49,127	-	(49,127)
Training and conferences	339	-	(339)
Computer supplies and maintenance	32,782	-	(32,782)
Supplies/services	26,133	-	(26,133)
Telephone	10,007	-	(10,007)
Janitorial	11,400	-	(11,400)
Totals	\$ 7,715,942	\$ 7,765,952	50,010
General Revenues:			
Investment income			25,724
Total General Revenues			25,724
Change in Net Position			75,734
Net Position - Beginning of Year			8,330,001
Net Position - End of Year			\$ 8,405,735

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2022**

**ASSETS**

Current Assets	
Cash	\$ 8,502,376
Due from the State	1,010,125
Other receivables	1,089,762
Interest receivable	4,500
Prepaid expense	6,566
	<hr/>
TOTAL ASSETS	<u>\$ 10,613,329</u>

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

LIABILITIES

Accounts payable	\$ 355,021
Accrued salaries	62,629
Grants payable	1,646,146
	<hr/>
TOTAL LIABILITIES	<u>2,063,796</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue	
Grants	471,942
	<hr/>

FUND BALANCE

Nonspendable:	
Not in spendable form	6,566
Restricted:	
Private grants	318,557
Committed:	
Program allocation	-
Assigned:	
Contracts	4,842,531
Unassigned:	
Unassigned	2,909,937
	<hr/>
TOTAL FUND BALANCE	<u>8,077,591</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 10,613,329</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, 2022**

Total fund balance - governmental fund		\$ 8,077,591
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.		95,920
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.		471,942
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Capital lease		(94,392)
Compensated absences		(145,326)
		(239,718)
Total net position - governmental activities		\$ 8,405,735

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, 2022**

REVENUES

Proposition 10 allocation	\$ 4,057,434
State grants	519,891
Other grants	2,746,296
Investment income	25,724
Other revenue	173,577
	<hr/>
Total revenues	7,522,922

EXPENDITURES

Programs and services:	
Grant and direct program expenditures	4,601,244
Salaries and benefits	1,300,673
Program support expenditures	374,610
Community education/sponsorships	246,903
	<hr/>
Total programs and services	6,523,430

Evaluation:

Contractors	281,256
Salaries and benefits	239,778
Evaluation and support expenditures	4,811
	<hr/>
Total evaluation	525,845

Administration:

Salaries and benefits	469,443
Rent/utilities	15,091
Professional fees	38,722
Insurance	20,761
Training and conferences	339
Computer supplies and maintenance	32,782
Supplies/services	26,133
Telephone	10,007
Janitorial	11,400
	<hr/>
Total administration	624,678

Debt service:

Principal	47,600
Capital outlay	133,113
	<hr/>

Total expenditures	7,854,666
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Deficiency of revenues under expenditures	<hr/> <u>(331,744)</u>
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Net change in fund balance	(331,744)
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Fund balance, beginning of year	<hr/> <u>8,409,335</u>
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Fund balance, end of year	<hr/> <u>\$ 8,077,591</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 STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Net change in fund balance - governmental fund	\$ (331,744)
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 (\$133,113) exceeded depreciation expense (\$49,127):	
	83,986
Revenues in the governmental fund's statement that do not provide current financial resources are not reported as revenue in the fund.	401,867
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	(133,113)
Principal payments	47,600
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.	7,138
Change in net position of governmental activities	\$ 75,734

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, 2022**

**ASSETS**

Assets held by others	<u>\$ 160,548</u>
TOTAL ASSETS	<u><u>\$ 160,548</u></u>

**NET POSITION**

Restricted for: Individuals, organizations, and other government	<u>\$ 160,548</u>
TOTAL NET POSITION	<u><u>\$ 160,548</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, 2022**

ADDITIONS

Contributions:		
Contributions to investment pool	\$	7,700
Total contributions		7,700
Net investment loss:		
Investment loss		(20,184)
Fund expenses		(1,858)
Net investment loss		(22,042)
Total additions		(14,342)
Net decrease in fiduciary net position		(14,342)
Net position, beginning of year		174,890
Net position, end of year	\$	160,548

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

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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, 2022**

**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, 2022**

**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 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, website, and building lease 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, website, and building lease are depreciated and amortized using the straight-line method over the following estimated useful lives:

Furniture 2 – 10 years

Equipment 3 – 5 years

Website 3 years

Building lease 2 years



**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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. Budget transfers between the main budget classifications Administration, Program/Services-Core Roles, and Evaluate Impact of more than 10% must be approved by the Board of Commissioners. The Executive Director may approve budget transfers between line item accounts within the main budget classifications. 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, 2022**

**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, 2022, the Commission implemented the following standards:

**GASB Statement No. 87 – Leases.** The requirements of this statement are effective for fiscal years beginning after June 15, 2021. The implementation of this standard resulted in the recognition of the building lease.

**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’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, 2022**

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

**New Accounting Pronouncements** (Continued)

**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's net position was not impacted as a result of implementation of this standard.

**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's net position was not impacted as a result of implementation of this standard.

**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. The Commission's net position was not impacted as a result of implementation of this standard.

**Future Accounting Pronouncements**

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

**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. 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.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 – CASH**

Cash consisted of the following at June 30, 2022:

<b><u>General Fund</u></b>	
Petty cash	\$ 150
Cash in bank	2,584,934
Monterey County Treasury Investment Pool	5,917,292
Subtotal	8,502,376
 <b><u>Custodial Fund</u></b>	
Assets held by others	160,548
Total	\$ 8,662,924

**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 \$5,917,292 invested in the County of Monterey’s Treasury Investment Pool at June 30, 2022. 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, 3<sup>rd</sup> Floor, Salinas, CA 93901.

**Fair Value Measurement**

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission has the following recurring fair value measurements as of June 30, 2022:

- 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, 2022**

**NOTE 3 – DUE FROM THE STATE**

Due from the State consisted of the following at June 30, 2022:

Proposition 10 revenue for May and June	\$ 531,790
IMPACT grant	82,187
Home visiting grant	4,461
Dual Language Learner	389,755
Surplus Money Interest Fund (SMIF)	<u>1,932</u>
 Total due from the State	 <u><u>\$ 1,010,125</u></u>

**NOTE 4 – CAPITAL ASSETS**

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Governmental activities:				
Furniture	\$ 30,001	\$ -	\$ -	\$ 30,001
Equipment	31,880	-	-	31,880
Website	14,250	-	-	14,250
Building lease	-	133,113	-	133,113
 Total	 <u>76,131</u>	 <u>133,113</u>	 <u>-</u>	 <u>209,244</u>
Less accumulated depreciation and amortization for:				
Furniture	30,001	-	-	30,001
Equipment	19,946	4,756	-	24,702
Website	14,250	-	-	14,250
Building lease	-	44,371	-	44,371
 Accumulated depreciation and amortization	 <u>64,197</u>	 <u>49,127</u>	 <u>-</u>	 <u>113,324</u>
 Total capital assets – net of accumulated depreciation and amortization	 <u><u>\$ 11,934</u></u>	 <u><u>\$ 83,986</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 95,920</u></u>

Depreciation and amortization expense for the fiscal year ended June 30, 2022, was \$49,127.

**NOTE 5 – LONG-TERM DEBT**

General long-term debt balances and transactions for the fiscal year ended June 30, 2022, are as follows:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Capital lease - copier	\$ 8,879	\$ -	\$ (3,229)	\$ 5,650	\$ 3,229
Capital lease - building	-	133,113	(44,371)	88,742	66,556
Compensated absences	152,464	-	(7,138)	145,326	62,210
 Total	 <u><u>\$ 161,343</u></u>	 <u><u>\$ 133,113</u></u>	 <u><u>\$ (54,738)</u></u>	 <u><u>\$ 239,718</u></u>	 <u><u>\$ 131,995</u></u>

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 – LONG-TERM DEBT** (Continued)

**Capital Lease**

During the fiscal year ended June 30, 2022, the Commission has recognized the building lease agreement in compliance with GASB Statement No. 87, *Leases*. 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, 2022, the Commission’s liability under the capital lease agreement and the minimum lease payments are as follows:

Year Ending June 30,	Principal
2023	\$ 69,785
2024	24,607
Total	\$ 94,392

**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, 2022, was \$94,361.

**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 June 2023. As of June 30, 2022, the Commission had commitments of \$4,842,531 with respect to these unfinished contracts.

**NOTE 9 – PROGRAM EVALUATION COSTS**

The Commission spent \$525,845, within the governmental fund, on program evaluation for the fiscal year ended June 30, 2022.

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 2021-2022 and amounts paid under those contracts during the fiscal year 2021-2022 to agencies represented by Commissioners:

<u>Contracts</u>	<u>Contract Amount</u>	<u>Amount Paid</u>
Monterey County Office of Education	\$ 279,928	\$ 226,141
Total	<u>\$ 279,928</u>	<u>\$ 226,141</u>

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 19, 2022, 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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Proposition 10 allocation	\$ 3,365,563	\$ 3,851,636	\$ 4,057,434	\$ 205,798
State grants	684,410	990,712	519,891	(470,821)
Other grants	1,717,000	2,695,403	2,746,296	50,893
Investment income	86,246	40,620	25,724	(14,896)
Other revenue	33,500	32,500	173,577	141,077
Total revenues	<u>5,886,719</u>	<u>7,610,871</u>	<u>7,522,922</u>	<u>(87,949)</u>
<b>EXPENDITURES</b>				
Programs and services:				
Grant and direct program expenditures	5,126,439	5,107,056	4,601,244	505,812
Salaries and benefits	1,493,150	1,383,150	1,300,673	82,477
Program support expenditures	324,660	451,178	374,610	76,568
Community education/sponsorships	295,000	368,415	246,903	121,512
Total programs and services	<u>7,239,249</u>	<u>7,309,799</u>	<u>6,523,430</u>	<u>786,369</u>
Evaluation:				
Contractors	330,000	315,600	281,256	34,344
Salaries and benefits	272,210	240,852	239,778	1,074
Evaluation and support expenditures	8,968	7,800	4,811	2,989
Total evaluation	<u>611,178</u>	<u>564,252</u>	<u>525,845</u>	<u>38,407</u>
Administration:				
Salaries and benefits	464,000	477,740	469,443	8,297
Rent/utilities	71,697	61,258	15,091	46,167
Professional fees	83,500	56,000	38,722	17,278
Insurance	22,550	22,550	20,761	1,789
Training and conferences	4,000	500	339	161
Computer supplies and maintenance	41,000	38,000	32,782	5,218
Supplies/services	(1,747)	32,391	26,133	6,258
Telephone	10,000	10,000	10,007	(7)
Janitorial	15,000	11,400	11,400	-
Total administration	<u>710,000</u>	<u>709,839</u>	<u>624,678</u>	<u>85,161</u>
Debt service:				
Principal	6,000	3,229	47,600	(44,371)
Capital outlay	-	-	133,113	(133,113)
Total debt service	<u>6,000</u>	<u>3,229</u>	<u>180,713</u>	<u>(177,484)</u>
Contingency	<u>294,336</u>	<u>381,444</u>	<u>-</u>	<u>381,444</u>
Total expenditures	<u>8,860,763</u>	<u>8,968,563</u>	<u>7,854,666</u>	<u>1,113,897</u>
Revenues over (under) expenditures	<u>\$ (2,974,044)</u>	<u>\$ (1,357,692)</u>	<u>\$ (331,744)</u>	<u>\$ 1,025,948</u>

**MONTEREY COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022**

**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 re-budgeted 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, 2022, the governmental fund has expenditures over appropriations as follows:

	<u>Governmental Fund</u>
Administration	
Telephone	\$ (7)

**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, 2022**

	F5CA IMPACT Grant
<b>REVENUES</b>	
Current	
Program revenue	\$ 175,210
Total revenues	175,210
<b>EXPENDITURES</b>	
Current	
Program expenditures	172,382
Total expenditures	172,382
Change in fund balance	2,828
Fund balance, beginning of year	(16,196)
Fund balance, end of year	\$ (13,368)

## **COMPLIANCE SECTION**

**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

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, 2022, 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 19, 2022.

**Report on 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.


## Report on 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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Stockton, California  
September 19, 2022

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### Report on Compliance

#### Opinion

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, 2022.

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, 2022.

#### Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.



## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

<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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

## Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Stockton, California  
September 19, 2022