

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2002

AND INDEPENDENT AUDITORS' REPORT

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**

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**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**

Board of Commissioners

June 30, 2002

Supervisor Edith Johnson	Chair
Len Foster	Vice-Chair
Carole Singley	Secretary
Elliott Robinson	Member
Robert Taniguchi	Member
Raúl Z. Diaz	Member
Linda K. Velásquez, M.D., M.P.H.	Member

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the *Monterey County Children and Families Commission* as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the *Monterey County Children and Families Commission* as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards" we have also issued our report dated September 6, 2002 on our consideration of the *Monterey County Children and Families Commission's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the *Monterey County Children and Families Commission* taken as a whole. The combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the *Monterey County Children and Families Commission*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

September 6, 2002

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**
BALANCE SHEET
JUNE 30, 2002
(With Comparative Totals for June 30, 2001)

	SPECIAL REVENUE FUNDS	GENERAL FIXED ASSETS ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
			2002	2001
<u>ASSETS</u>				
Cash and equivalents	\$ 13,892,077	\$ -	\$ 13,892,077	\$ 10,782,153
Receivables	1,165,991	-	1,165,991	1,100,818
Interest receivable	79,761	-	79,761	-
Advances	21,941	-	21,941	861,424
Fixed assets	-	68,547	68,547	68,547
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 15,159,770</u>	<u>\$ 68,547</u>	<u>\$ 15,228,317</u>	<u>\$ 12,812,942</u>
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
LIABILITIES:				
Accounts payable	\$ 7,697	\$ -	\$ 7,697	\$ 2,749
Grants payable	2,154,552	-	2,154,552	75,022
Compensated absences	7,575	-	7,575	9,935
Deferred revenue	62,778	-	62,778	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,232,602</u>	<u>-</u>	<u>2,232,602</u>	<u>87,706</u>
FUND EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	68,547	68,547	68,547
Fund balances:				
Reserved for restricted grants:				
Civic engagement	45	-	45	74,547
Technical assistance	74,873	-	74,873	-
School readiness	76,397	-	76,397	-
Unreserved, designated:				
Program and services system	5,072,843	-	5,072,843	-
Sustainability	4,531,697	-	4,531,697	-
Infrastructure and capital expenditure fund	990,396	-	990,396	1,734,875
Contingency reserve	911,726	-	911,726	558,837
Evaluation and research	474,590	-	474,590	-
Information and community education system	148,244	-	148,244	-
Investment growth fund	-	-	-	3,000,000
Technical assistance and emerging opportunities fund	-	-	-	2,000,000
Matching grant and startup support fund	-	-	-	1,400,000
Unreserved, undesignated	646,357	-	646,357	3,888,430
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund equity and other credits	<u>12,927,168</u>	<u>68,547</u>	<u>12,995,715</u>	<u>12,725,236</u>
TOTAL	<u>\$ 15,159,770</u>	<u>\$ 68,547</u>	<u>\$ 15,228,317</u>	<u>\$ 12,812,942</u>

See Notes to General Purpose Financial Statements.

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002
(With Comparative Totals for June 30, 2001)

	<u>2002</u>	<u>2001</u>
REVENUES:		
Proposition 10 allocation	\$ 6,322,419	\$ 6,570,172
Grants	262,500	75,000
Interest	462,770	288,036
Participation revenue	<u>10,087</u>	<u>-</u>
Total revenues	<u>7,057,776</u>	<u>6,933,208</u>
EXPENDITURES:		
Administration:		
Salaries and employee benefits	254,670	298,171
Services and supplies	164,266	271,928
Capital outlay	-	67,157
Information and community education:		
Salaries and employee benefits	65,793	-
Services and supplies	28,273	2,837
Programs and services:		
Grants	6,026,438	3,947,133
Salaries and employee benefits	131,670	-
Services and supplies	<u>116,187</u>	<u>770</u>
Total expenditures	<u>6,787,297</u>	<u>4,587,996</u>
EXCESS OF REVENUES OVER EXPENDITURES	270,479	2,345,212
BEGINNING FUND BALANCE	<u>12,656,689</u>	<u>10,311,477</u>
ENDING FUND BALANCE	<u>\$ 12,927,168</u>	<u>\$ 12,656,689</u>

See Notes to General Purpose Financial Statements.

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Proposition 10 allocation	\$ 5,900,000	\$ 6,322,419	\$ 422,419
Grants	75,000	262,500	187,500
Interest	295,000	462,770	167,770
Participation revenue	<u>–</u>	<u>10,087</u>	<u>10,087</u>
Total revenues	<u>6,270,000</u>	<u>7,057,776</u>	<u>787,776</u>
EXPENDITURES:			
Administration:			
Salaries and employee benefits	356,749	254,670	102,079
Services and supplies	199,400	164,266	35,134
Capital outlay	1,000		1,000
Information and community education:			
Salaries and employee benefits	63,100	65,793	(2,693)
Services and supplies	123,761	28,273	95,488
Programs and services:			
Grants	8,199,874	6,026,438	2,173,436
Salaries and employee benefits	152,366	131,670	20,696
Services and supplies	<u>301,750</u>	<u>116,187</u>	<u>185,563</u>
Total expenditures	<u>9,398,000</u>	<u>6,787,297</u>	<u>2,610,703</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (3,128,000)</u>	270,479	<u>\$ 3,398,479</u>
BEGINNING FUND BALANCE		<u>12,656,689</u>	
ENDING FUND BALANCE		<u>\$ 12,927,168</u>	

See Notes to General Purpose Financial Statements.

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Monterey County Children and Families Commission (the Commission) 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 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.

Generally accepted accounting principles 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 Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities, which are required to be presented with the Commission.

The Commission has a seven member board of commissioners. The commissioners serve for a term of three years. The Monterey County Board of Supervisors, consistent with the Health and Safety Code, appoints the commissioners as follows:

- The Director of the Monterey County Health Department, or their designee.
- An assistant director of the Monterey County Health Department.
- The Director of the Monterey County Social Services Department, or their designee.
- An assistant director of the Monterey County Social Services Department.
- A member of the Monterey County Board of Supervisors.
- Two members recommended for appointment by the Monterey County Children's Council and drawn from categories stated in Health and Safety Code Section 130140(a)(1)(A)(iii).

Basis of Presentation – The accounts of the Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Commission uses the following fund and account group:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

Governmental Funds are those through which the governmental functions of the Commission are financed. The acquisition, use and balances of the Commission's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the Commission's Governmental Fund type:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes. The Commission has the following special revenue funds:

Children and Families Act – Accounts for revenues received from Proposition 10 Funds to be used to implement the Commission's Strategic Plan on funding local child development programs and services.

School Readiness – Accounts for revenues received to implement the School Readiness Initiative. The Initiative targets three elements: children's readiness for school, schools' readiness for children and the readiness of families and communities to contribute to children's foundation for success in school.

Retention Incentives – Accounts for revenues received to implement the Retention Incentive for Early Care and Education Providers Initiative. The Initiative will provide training stipends and performance bonuses to improve the quality and reduce turnover among family childcare providers and center based teaching staff and directors.

Account Groups

Account Groups are not "funds" they are concerned only with the measurement of financial position and are not involved with the measurement of results of operations. The following is the Commissions account group:

General Fixed Assets Account Group – Fixed assets used in governmental fund type Operations (general fixed assets) are accounted for in the general fixed assets account Group rather than in the governmental fund type.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus – Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. All governmental fund types are accounted for by using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available (susceptible to accrual). Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Commission considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Major revenue sources susceptible to accrual include substantially all Proposition 10 allocations, grants and interest. Revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable are recorded as received. Expenditures are recorded when the liability is incurred.

The Commission has recorded deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Commission before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund type operating systems present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting – The Commission operates under the general laws of the State of California and annually adopts a budget on the modified accrual basis of accounting to be effective July 1 for the ensuing fiscal year.

Cash Equivalents – The Commission considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Pooled Cash – 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 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.

Advances – Advances represent funds transferred to grantees who have not satisfied all eligibility requirements for a voluntary nonexchange transaction. As of June 30, 2002, advances were \$21,941.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets – Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Governmental fund type fixed assets are recorded as expenditures at the time of acquisition. Such amounts, except for public domain (“infrastructure”) assets (including roads, bridges, curbs and gutters, streets, sidewalks, drainage systems and lighting systems), are then capitalized in the general fixed assets account group. No depreciation has been provided on general fixed assets.

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

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.

Reservations and Designations of Fund Balances – The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The Commission’s management will sometimes designate portions of fund balance based on tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Commission has “reserved” fund balances as follows:

Reserved for Restricted Grants – To reflect resources to be used for grantor specified purposes as follows:

Civic Engagement – Funds restricted to the continued efforts of the Commission to engage the broadest range and diversity of community participation (“civic engagement”) in steering public funds generated by Proposition 10 on behalf of young children.

Technical Assistance – Funds restricted to establish a data collection system for Proposition 10 funded agencies, technical assistance to vendors and training efforts for Proposition 10.

School Readiness – Funds restricted to assist the Commission in implementing the School Readiness Initiative.

The Commission has designated fund balances as follows:

Program and Services System – The purpose of this Fund is to provide resources for the ongoing programs and services sponsored, facilitated and supported by the Commission and whose goals are derived from and in support of the Strategic Plan.

Sustainability – The purpose of this Fund is to sustain funding at the current levels as Proposition 10 allocations begin to dwindle. The principal and interest accumulated will remain intact for a period of years so that the fund can grow.

Infrastructure and Capital Expenditure Fund – The purpose of this Fund is to provide resources for capital items or equipment whose useful life will continue over a longer number of years. These are non-recurring, non-consumable expenditures.

Contingency Reserve – A set aside for unforeseen operational costs. The Commission has designated approximately 5% of revenues each year to be set aside.

Evaluation and Research – Funds set aside to provide for the agreement with the Corporation for Standards and Outcomes, an outcomes collection, evaluation and reporting service.

Information and Community Education System – The purpose of this Fund is to provide resources for the array of programs, activities, materials and services provided by the Commission to improve accessibility to early childhood information and services, to increase the community’s awareness and appreciation of early childhood development and to provide educational materials and services to the public that will assist in achieving the goals of the Strategic Plan.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results are not expected to differ from those estimates.

Total Columns - Total columns on the statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

Comparative Totals for June 30, 2001 – Condensed financial information for the year ended June 30, 2001 is presented for comparative purposes only, and is not intended to be a complete financial statement presentation.

NOTE 2. CASH AND EQUIVALENTS

Balances in cash and equivalents consist of a bank account with First National Bank and funds on deposit with the Monterey County Treasurer’s Office. The Commission is required to categorize its cash to give an indication of the level of risk assumed by the Commission at year-end. The categories are described as follows:

Category 1: Amount insured by the FDIC or collateralized with securities held by the Commission or its agent in its name.

Category 2: Amount collateralized with securities held by the pledging financial institution’s trust department in the Commission’s name.

Category 3: Uncollateralized or collateralized with securities held by the pledging financial institution’s trust department but not in the name of the Commission.

The difference between bank balances and the carrying amounts (book value) represents outstanding checks and deposits in transit. Of the bank balance \$100,000 was covered by federal depository insurance, and \$367,406 was collateralized by the pledging institution as required by Section 53652 of the California Government Code. Under the California Government Code, a financial institution is required to secure deposits in excess of \$100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

NOTE 2. CASH AND EQUIVALENTS (Continued)

The bank balances at June 30 are categorized as follows:

	2002			<u>BANK BALANCES</u>	<u>BOOK VALUE</u>
	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>		
First National Bank	\$ 100,000	\$ 367,406	\$ -	\$ 467,406	\$ 345,832
County Treasury	<u>-</u>	<u>-</u>	<u>13,546,095</u>	<u>13,546,095</u>	13,546,095
	<u>\$ 100,000</u>	<u>\$ 367,406</u>	<u>\$ 13,546,095</u>	<u>\$ 14,013,501</u>	
Cash on hand					<u>150</u>
Total book value					<u>\$ 13,892,077</u>

NOTE 3. RECEIVABLES

Receivables at June 30, 2002 consist of amounts due from the State Commission for Proposition 10 allocations in the amount of \$1,103,213 and a grant for the civic engagement project in the amount of \$62,778.

NOTE 4. FIXED ASSETS

The following is a summary of changes in General Fixed Assets:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Equipment	<u>\$ 68,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,547</u>

NOTE 5. OPERATING LEASE

The Commission entered into a lease for office space commencing on September 1, 2000 and ending on August 30, 2003. Rent is payable at \$4,200 per month. Minimal rent payments at June 30, are as follows:

2003	\$ 50,400
2004	<u>8,400</u>
Total	<u>\$ 58,800</u>

NOTE 6. RETIREMENT PLAN

The Commission provides a 457b retirement plan. All regular full-time employees who have completed six months (1,000 hours) of service are eligible for the plan. The Commission will contribute to the plan at a rate of 5% of annual salary. The contribution for the fiscal year ended June 30, 2002 was \$13,638.

NOTE 7. COMMITMENTS

The Commission entered into a Service Provider Agreement with the Corporation for Standards and Outcomes (CS&O) effective as of March 1, 2002. The agreement shall continue for a period of three years. The maximum amount payable shall not exceed \$541,050. For the fiscal year ended June 30, 2002, the Commission paid CS&O \$66,460. The Commission has designated a portion of the fund balance in the amount of \$474,590 to provide for the remaining balance of the agreement.

NOTE 8. AUTHORITATIVE PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED

In June 1999, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*. This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities. It establishes that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

Management Discussion and Analysis (MD&A) – MD&A should introduce the basic financial statements and provide an analytical overview of the government’s financial activities. Although it is RSI, governments are required to present MD&A *before* the basic financial statements.

Basic Financial Statements – Which include Government-wide Financial Statements, Fund Financial Statements and notes to the financial statements.

Required Supplementary Information (RSI) – In addition to MD&A, this Statement requires budgetary comparison schedules to be presented as RSI along with other types of data as required by previous GASB pronouncements. This Statement also requires RSI for governments that use the modified approach for reporting infrastructure assets.

The requirements of this statement are effective in three phases based on a government’s total annual revenues in the first fiscal year ending after June 15, 1999. Governments with total annual revenues (excluding extraordinary items) of \$100 million or more (phase 1) should apply this Statement for periods beginning after June 15, 2001. Governments with at least \$10 million but less than \$100 million in revenues (phase 2) should apply this Statement for periods beginning after June 15, 2002. Governments with less than \$10 million in revenues (phase 3) should apply this Statement for periods beginning after June 15, 2003. Earlier application is encouraged.

The Commission is a phase 2 entity and has no plan for early implementation of this statement. Based on its current assessment, management believes the adoption of Statement 34 will materially effect the accompanying financial statements.

COMBINING STATEMENTS

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2002**

	<u>CHILDREN AND FAMILIES ACT</u>	<u>SCHOOL READINESS</u>	<u>RETENTION INCENTIVES</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
<u>ASSETS</u>				
Cash and equivalents	\$ 13,815,680	\$ 76,397	\$ —	\$ 13,892,077
Receivables	1,165,991	—	—	1,165,991
Interest receivable	79,761	—	—	79,761
Advances	21,941	—	—	21,941
TOTAL	<u>\$ 15,083,373</u>	<u>\$ 76,397</u>	<u>\$ —</u>	<u>\$ 15,159,770</u>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
Accounts payable	\$ 7,697	\$ —	\$ —	\$ 7,697
Grants payable	2,154,552	—	—	2,154,552
Accruals	7,575	—	—	7,575
Deferred revenue	62,778	—	—	62,778
Total liabilities	<u>2,232,602</u>	<u>—</u>	<u>—</u>	<u>2,232,602</u>
FUND EQUITY:				
Fund balances:				
Reserved for restricted grants:				
Civic engagement	45	—	—	45
Technical assistance	74,873	—	—	74,873
School readiness	—	76,397	—	76,397
Unreserved, designated:				
Program and services system	5,072,843	—	—	5,072,843
Sustainability	4,531,697	—	—	4,531,697
Infrastructure and capital expenditure fund	990,396	—	—	990,396
Contingency reserve	911,726	—	—	911,726
Evaluation and research	474,590	—	—	474,590
Information and community education system	148,244	—	—	148,244
Unreserved, designated	646,357	—	—	646,357
Total fund equity	<u>12,850,771</u>	<u>76,397</u>	<u>—</u>	<u>12,927,168</u>
TOTAL	<u>\$ 15,083,373</u>	<u>\$ 76,397</u>	<u>\$ —</u>	<u>\$ 15,159,770</u>

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS
JUNE 30, 2002

	CHILDREN AND FAMILIES ACT	SCHOOL READINESS	RETENTION INCENTIVES	TOTAL SPECIAL REVENUE FUNDS
REVENUES:				
Proposition 10 allocation	\$ 6,322,419	\$ –	\$ –	\$ 6,322,419
Grants	100,000	100,000	62,500	262,500
Interest	462,770	–	–	462,770
Participation revenue	10,087	–	–	10,087
Total revenues	<u>\$ 6,895,276</u>	<u>\$ 100,000</u>	<u>\$ 62,500</u>	<u>\$ 7,057,776</u>
EXPENDITURES:				
Administration:				
Salaries and employee benefits	\$ 254,670	\$ –	\$ –	\$ 254,670
Services and supplies	164,266	–	–	164,266
Information and community education:				
Salaries and employee benefits	65,793	–	–	65,793
Services and supplies	28,273	–	–	28,273
Programs and services:				
Grants	5,713,938	–	312,500	6,026,438
Salaries and employee benefits	131,670	–	–	131,670
Services and supplies	92,584	23,603	–	116,187
Total expenditures	<u>6,451,194</u>	<u>23,603</u>	<u>312,500</u>	<u>6,787,297</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	444,082	76,397	(250,000)	270,479
OTHER FINANCING SOURCES (USES) –				
Transfers to other funds	(250,000)	–	250,000	–
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	194,082	76,397	–	270,479
FUND BALANCES – JUNE 30, 2001	<u>12,656,689</u>	<u>–</u>	<u>–</u>	<u>12,656,689</u>
FUND BALANCES – JUNE 30, 2002	<u>\$ 12,850,771</u>	<u>\$ 76,397</u>	<u>\$ –</u>	<u>\$ 12,927,168</u>

**REPORT REQUIRED BY THE
GOVERNMENT AUDITING STANDARDS**

**REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of *Monterey County Children and Families Commission* as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Monterey County Children and Families Commission's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members, management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

September 6, 2002

**MONTEREY COUNTY CHILDREN
AND FAMILIES COMMISSION**
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS
JUNE 30, 2002

	CHILDREN AND FAMILIES ACT			SCHOOL READINESS			RETENTION INCENTIVES			TOTAL		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Proposition 10 allocations	\$ 5,900,000	\$ 6,322,419	\$ 422,419	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 5,900,000	\$ 6,322,419	\$ 422,419
Grants	75,000	100,000	25,000	–	100,000	100,000	–	62,500	62,500	75,000	262,500	187,500
Interest	295,000	462,770	167,770	–	–	–	–	–	–	295,000	462,770	167,770
Participation revenue	–	10,087	10,087	–	–	–	–	–	–	–	10,087	10,087
Total revenues	6,270,000	6,895,276	625,276	–	100,000	100,000	–	62,500	62,500	6,270,000	7,057,776	787,776
EXPENDITURES:												
Administration:												
Salaries and employee benefits	356,749	254,670	102,079	–	–	–	–	–	–	356,749	254,670	102,079
Services and supplies	199,400	164,266	35,134	–	–	–	–	–	–	199,400	164,266	35,134
Capital outlay	1,000	–	1,000	–	–	–	–	–	–	1,000	–	1,000
Information and community education:												
Salaries and employee benefits	63,100	65,793	(2,693)	–	–	–	–	–	–	63,100	65,793	(2,693)
Services and supplies	123,761	28,273	95,488	–	–	–	–	–	–	123,761	28,273	95,488
Programs and services:												
Grants	8,199,874	5,713,938	2,485,936	–	–	–	–	312,500	(312,500)	8,199,874	6,026,438	2,173,436
Salaries and employee benefits	152,366	131,670	20,696	–	–	–	–	–	–	152,366	131,670	20,696
Services and supplies	301,750	92,584	209,166	–	23,603	(23,603)	–	–	–	301,750	116,187	185,563
Total expenditures	9,398,000	6,451,194	2,946,806	–	23,603	(23,603)	–	312,500	(312,500)	9,398,000	6,787,297	2,610,703
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(3,128,000)	444,082	3,572,082	–	76,397	76,397	–	(250,000)	(250,000)	(3,128,000)	270,479	3,398,479
OTHER FINANCING SOURCES (USES) –												
Transfers to other funds	–	(250,000)	(250,000)	–	–	–	–	250,000	250,000	–	–	–
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	\$ (3,128,000)	194,082	\$ 3,322,082	\$ –	76,397	\$ 76,397	\$ –	–	\$ –	\$ (3,128,000)	270,479	\$ 3,398,479
FUND BALANCES – JUNE 30, 2001		12,656,689			–			–			12,656,689	
FUND BALANCES – JUNE 30, 2002		\$ 12,850,771			\$ 76,397			\$ –			\$ 12,927,168	