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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT (SAS 114)

Commission Members
Stanislaus County Children and Families Commission
Modesto, California

We have audited the financial statements of the governmental activities and the General Fund of the Stanislaus County Children and Families Commission (the Commission) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, 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, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 16, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* during the year ended June 30, 2024. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

> Management's estimate of the fair value of the right-to-use building is based on the method as detailed in the notes to the financial statements. We evaluated the methods, assumptions, and data used to develop the estimate of the fair value of the right-to-use building in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimates of the net pension liability and related deferred outflows and inflows of resources are based on actuarial reports prepared and provided by an independent third party. We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the fund balance commitments and assignments are based on future contracts and possible provisions and changes in contracts and their payment schedules. We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were for the net pension liability and related items as described above.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected no such misstatements during our audit.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated October 10, 2024.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of the Commission's Proportionate Share of the County's Proportionate Share of the Net Pension Liability, and Schedule of the Commission's Contributions, which are Required Supplementary Information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 10, 2024

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION

(A Component Unit of the County of Stanislaus, California)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
COMMISSION MEMBERSHIP
AS OF JUNE 30, 2024

Name	Position	Original Appointment	Term Expires
David Cooper	Community Representative	September 2006	August 2024
Mary Ann Lilly-Tengowski	Health Services Agency ***Chair***	November 2007	Permanent
Keri Magee	Community Representative	November 2023	August 2026
Vito Chiesa	Board of Supervisor	January 2009	December 2024
Daniel Diep, MD	Community Representative	December 2021	August 2026
Christine Huber, MSW	Community Representative	May 2022	Permanent
Nelly Paredes-Walsborn, PhD	Community Representative ***Vice Chair***	September 2004	August 2025
Thea Papasozomenos, MD	Public Health Officer	December 2022	Permanent
Tony Jordan	School District Representative	August 2022	August 2025

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Commission Members
Stanislaus County Children and Families Commission
Modesto, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of the Stanislaus County Children and Families Commission (the Commission), a component unit of the County of Stanislaus, California (the County), as of and for the year ended June 30, 2024, 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 and major fund of the Commission, as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

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 opinion. 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 American require that the management's discussion and analysis on pages 4-9, the schedule of the Commission's proportionate share of the County's proportionate share of the net pension liability on page 31, and the schedule of the Commission's contributions on page 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Commission Membership but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024, on our Consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 10, 2024

FIRST 5 STANISLAUS

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

This section of the Stanislaus County Children and Families Commission's (the Commission) annual financial report presents management's discussion and analysis of the Commission's financial performance for the fiscal year that ended June 30, 2024. It is important to read this section in conjunction with the basic financial statements and notes in this audit.

OVERVIEW OF THE ENTITY

The Stanislaus County Children and Families Commission was established by the Stanislaus County Board of Supervisors on December 8, 1998, pursuant to Ordinance #687. The ordinance provides that the Commission shall operate as an independent County agency and be governed by a nine-member Board of Commissioners appointed by the Stanislaus County Board of Supervisors with independent strategic planning and budget authority. The Commission operates under the regulatory guidance of the California Health and Safety Code and was formed because of the passage of Proposition 10 by California voters in November of 1998.

The mission of the Commission is to be a catalyst to help give children and families the best start. The Commission achieves its mission by focusing its efforts on family functioning, health, child development, and sustainable systems.

The Commission consistently reaches tens of thousands of children, parents, and providers each year through their service contractors, the majority of which are nonprofit organizations in Stanislaus County. The Commission focuses on implementation of its five-year Strategic Plan which drives the work and investments of the organization. Strategies of the Commission revolve around its role as a community capacity builder, systems builder, convener/collaborator, policy advocate, and a funder. The Commission prioritizes investments to build capacity, create more aligned and integrated systems, convene, and collaborate with partners, and advocate for policies that improve outcomes for children from prenatal through age five and their families.

Commission staff work to implement Strategic Plan strategies including engaging in multiple partnerships with organizations to fulfill goals and objectives of the Commission. Staff lead and implement a training and capacity building program to support their funded partners and other community organizations. Staff also prepare and monitor contracts for services, process contract invoices, and ensure compliance with Commission policies and procedures and State code. Staff engage in numerous other activities to advance goals of the Strategic Plan.

During fiscal year 2023-2024 Commission staff faced staffing changes. The Confidential Assistant position was filled in January and the Staff Services Coordinator left in February and the position was filled in June. The staff work mostly in the office with some hybrid options available. There were also changes to the commission with Keri Magee as a new community representative. Partner organizations are still adjusting to life after COVID-19 pandemic. They are trying to offer services to clients that allow them a hybrid approach.

This was the last year of the 2019-2024 strategic plan. The Commission and its staff worked to create a new strategic plan for 2024-2029. An outside firm was hired to help lead the work of soliciting feedback from the community, reviewing existing data, and compiling the information with Commissioner feedback to create a new mission, vision, and goals.

Staff distributed basic need supplies (diapers, wipes, books) to partners throughout the year. A focus on community presence continued this year. Commission staff participated in numerous community events to share information about the Commission and support the community. Our presence on social media continues to grow. This past year we started highlighting our partners and the services they offer in addition to frequent posts on a variety of topics. Commission staff continued to add resources to the Family Network, a subsection of their website designed to provide resources to families and partners.

FISCAL YEAR 2023-2024 FINANCIAL HIGHLIGHTS

The Fiscal Year 2023-2024 budget included a slightly decreased revenue estimate of $4.41 million, which was a decrease of 9.73% ($475,632) from the Fiscal Year 2022-2023 budget. The estimated revenue decrease was based on projections used from the State of California reflecting the impact of the passing of the flavor ban on tobacco revenue during the fiscal year. Total service provider funding was budgeted at $2,106,390, which was a decrease of 17.33% ($441,423) from the Fiscal Year 2022-2023 budget. This funding was allocated for 13 service provider contracts. Total budgeted expenses were $4.36 million which was an estimated 4.91% ($225,028) decrease from the prior fiscal year.

The revenue decrease anticipated was realized and total expenses also continue to reflect the strategic cost structure changes implemented by the Commission to create a more balanced budget.

The highlights of Fiscal Year 2023-2024 reflect increased financial strength through greater than budgeted revenue and less than budgeted expenditures. Key indicators comparing the results of Fiscal Year 2023-2024 and Fiscal Year 2022-2023 include:

- Total revenues increased by nearly $293,069 (6.1%) from Fiscal Year 2022-2023 actuals primarily due to receiving less Prop 10 funding offset by interest and investment earnings.
- Total expenditures increased by $522,423 (19.81%) from Fiscal Year 2022-2023 actuals largely due to the increase in contract expenditures.
- The offset of the expenditures with current year revenue resulted in an increase to the net position of $1,941,572 at year-end.

CONDENSED FINANCIAL STATEMENTS

The following tables summarize the Commission's 1) Statement of Net Position (government-wide financials) and 2) Statement of Activities (change in net position). Both tables are summarized for the last three years.

	2024	2023	Change in Dollars	Change in Percent
ASSETS				
Current assets	$ 15,807,175	$ 13,759,113	$ 2,048,062	14.89%
Capital assets, net of accumulated depreciation	6,125	-	6,125	100.00%
Right-to-use assets, net of accumulated amortization	57,061	91,296	(34,235)	-37.50%
Total assets	15,870,361	13,850,409	2,019,952	14.58%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	275,841	206,119	69,722	33.83%
Total deferred outflows of resources	275,841	206,119	69,722	33.83%
LIABILITIES				
Current liabilities	301,098	231,568	69,530	30.03%
Noncurrent liabilities	797,089	704,404	92,685	13.16%
Total liabilities	1,098,187	935,972	162,215	17.33%
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	27,082	41,195	(14,113)	-34.26%
Total deferred inflows of resources	27,082	41,195	(14,113)	-34.26%
NET POSITION				
Net investment in capital assets	(1,889)	(1,629)	(260)	-15.95%
Restricted net position	15,022,822	13,080,990	1,941,832	14.84%
Total net position	$ 15,020,933	$ 13,079,361	$ 1,941,572	14.84%

Highlights of the above statement include:

- There was an increase in total assets over the prior year due to an increase in the Commission's revenue.
- Current liabilities increased compared to the prior year due to an increase in accruals for contract costs due to other funds and accounts payable.
- Long-term liabilities increased due to the net pension liability recorded in connection with Governmental Accounting Standards Board (GASB) Statement No. 68 (which was implemented in 2015 – making 2024 the ninth year of implementation) and a decrease in compensated absences.
- Deferred outflows of resources and deferred inflows of resources of $275,841 and $27,082, respectively, were recorded in connection with changes in the Commission's proportionate share of the County's proportionate share of the net pension liability.

	2024	2023	Change in Dollars	Change in Percent
Revenues				
Program revenues	$ 4,362,993	$ 4,623,662	$ (260,669)	-5.64%
General revenues	738,221	184,483	553,738	300.16%
Total revenues	5,101,214	4,808,145	293,069	6.10%
Expenses	3,159,642	2,637,219	522,423	19.81%
Change in net position	1,941,572	2,170,926	(229,354)	-10.56%
Net position, beginning of year	13,079,361	10,908,435	2,170,926	19.90%
Net position, end of year	$ 15,020,933	$ 13,079,361	$ 1,941,572	14.84%

Highlights of the above statement include:

- Total expenses increased $522,423 (19.81%) from 2023 to 2024 as a result of additions in contract expenditures and increased salaries and benefit expenditures.
- Total revenues increased $293,069 (6.1%) from 2023 to 2024 as a result of a decrease in Prop 10 revenue offset by interest and investment earnings.
- The increase in expenses combined with greater than expected revenue resulted in a positive change in net position.

OVERALL FINANCIAL POSITION

Revenue is projected by the State of California to continue to decline for the Commission. The vast majority of Commission revenues are generated from tobacco taxes on tobacco products collected by the State of California and distributed to California's 58 counties based on the percentage of live births in each county. Tobacco tax revenue has decreased significantly since the passage of Prop 10. Revenue declined sharply in 2009-2010 when the federal government imposed higher taxes on tobacco. The increased cost of tobacco products encouraged users to quit smoking and/or purchase tobacco products in areas where taxes are not collected. Additional regulatory changes were implemented in 2017, including an increased smoking age of 21. These changes also included an additional $2 per pack cigarette tax, though this revenue was not designated to fund County Commissions. The State projected there would be a significant decline in tax revenue as a result of the $2 per pack increase. To make the county Commissions whole for this revenue loss, the State committed to "backfill" revenue through Prop 56. The State continues working to fine-tune projections for Prop 56 revenue, as accurate projections have been challenging to produce. Senate Bill 395 enacted the Healthy Outcomes and Prevention Education (HOPE) Act which went into effect July 1, 2022. This act required electronic tobacco retailers to collect an additional tax from purchasers. Twelve percent of additional revenue generated is allocated to First 5s. In November 2022, California voters upheld the state law, Senate Bill 793, prohibiting retailers from selling most flavored tobacco products. This flavor ban had and will continue to have a significant impact on revenue.

According to its financial policies, the Commission is to maintain a reserve that contains the equivalent of at least half of the Commission's budgeted revenues for the current fiscal year. Long-term projections of revenues and expenses allow program operations to be adjusted to ensure a sufficient reserve is maintained. The overall financial position of the Commission as reflected in its long-range model continues to support the opportunity for implementation of strategies as contained in the Commission's strategic plan.

ANALYSIS OF THE CHILDREN AND FAMILIES COMMISSION FUND

The Board of Supervisors' ordinance establishing the Commission created a trust fund to record Commission revenues and expenditures. Because the Commission utilizes one fund for all its programs, this audit is somewhat unique as only one fund is examined from a "government-wide" and "fund" perspective.

Fund balances over the two-year period covered by this audit reflect policy changes by the Commission to decrease a reliance on deficit spending to come more closely to a balanced budget and to promote long-term organizational sustainability as a community resource. Total expenditures have increased for the Commission as reflected in organization expenditures over the past two years. While 2024 reflected a decrease in Proposition 10 Tax revenue from the State, higher than projected interest and investment earnings resulted in an increase to fund balance. The following table presents an overview of the Commission's governmental fund over the past two years.

	2024	2023	Dollars	Percent
Revenues				
Proposition 10 taxes	$ 3,088,016	$ 3,346,549	$ (258,533)	-7.73%
Proposition 56 taxes	1,174,977	1,107,113	67,864	6.13%
Interest and investment earnings	738,221	184,483	553,738	300.16%
Other revenue	100,000	170,000	(70,000)	-41.18%
Total revenues	5,101,214	4,808,145	293,069	6.10%
Expenditures				
Contracts	2,239,983	2,057,304	182,679	8.88%
Salaries and employee benefits	497,940	466,988	30,952	6.63%
Services and supplies	350,629	281,345	69,284	24.63%
Debt service:				
Principal retirement	33,975	33,570	405	1.21%
Interest	155	222	(67)	-30.18%
Total expenditures	3,122,682	2,839,429	283,253	9.98%
Change in fund balance	$ 1,978,532	$ 1,968,716	$ 9,816	0.50%

Fund Budgetary Highlights

This section contains an explanation of the significant differences between the Commission's final budget amounts and actual amounts, and original and final budget amounts recorded for revenues and expenditures for Fiscal Year 2023-2024 as detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (shown on page 16). In Fiscal Year 2023-2024 the Commission received actual revenues of $5.1 million compared to the budgeted amount of $4.41 million. In preparing the budget, the Commission used revenue projections provided by the State of California. Actual total revenues were $687,539 more than budgeted, largely as the result of the interest and investment revenues. Interest and investment revenues were $663,221 more than expected. Combined Prop 10/Prop 56 revenue came in $136,882 more than projected by the State. Other revenues came in at $112,564 less than expected.

In Fiscal Year 2023-2024, actual expenditures were approximately $1,236,570 million less than budgeted primarily due to lower than projected services and supplies spending as a result of operational impacts related to COVID-19. A schedule of the Commission's original and final budget amounts compared with actual revenues and expenses is provided in the audited financial report, see page 16.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets of $6,125 (net of accumulated depreciation) are for equipment purchased. See Note 3 for more information on capital assets. The Commission implemented GASB Statement No. 87, *Leases*, in the prior fiscal year. As part of the implementation, intangible capital assets of $57,061 (net of accumulated amortization) are for the Commission's right-to-use building lease. See Note 4 for more information on right-to use capital assets. At the end of the current fiscal year, the Commission did not have any outstanding long-term debt; however, the Commission does have long-term obligations for compensated absences, pensions and lease liability. See Notes 5, 6, and 11 for details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following are facts, decisions, and conditions that could potentially have a significant impact on Commission finances:

- The flavored tobacco products ban that was upheld by voters in November 2022 continues to impact revenue and the long-term impacts of this ban are still unknown.
- The ongoing decrease in tobacco tax revenue as projected by the State.
- Implementation of the 2024-2029 strategic plan.
- The long-range model approved by the Commission in May 2024, shows the Commission maintaining fiscal strength through the next five fiscal years.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of the Stanislaus County Children and Families Commission, 930 15th Street, Modesto, CA 95354.

BASIC FINANCIAL STATEMENTS

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and investments	$ 15,183,982
Due from other agencies	529,392
Other receivables	93,801
Capital assets, net of accumulated depreciation	6,125
Right-to-use asset, net of accumulated amortization	57,061
Total assets	15,870,361
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pensions	275,841
LIABILITIES	
Accounts payable and accrued expenses	279,118
Salaries and benefits payable	21,980
Long-term liabilities:	
Portion due within one year:	
Compensated absences	28,123
Lease liability	35,068
Portion due in more than one year:	
Net pension liability	710,016
Lease liability	23,882
Total liabilities	1,098,187
DEFERRED INFLOWS OF RESOURCES	
Deferred pensions	27,082
NET POSITION	
Net investment in capital assets	(1,889)
Restricted net position - children's programs	15,022,822
Total net position	$ 15,020,933

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) and Revenues and Change in Net Position: Governmental Activities
Primary Government:				
Governmental Activities:				
Child development services	$ 3,159,642	$ -	$ 4,362,993	$ 1,203,351
Total Primary Government	$ 3,159,642	$ -	$ 4,362,993	$ 1,203,351
General revenues:				
Interest and investment earnings				738,221
Total general revenues				738,221
Change in net position				1,941,572
Net position, beginning of year				13,079,361
Net position, end of year				$ 15,020,933

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2024

	Governmental Fund
ASSETS	
Cash and investments	$ 15,183,982
Due from other agencies	529,392
Interest receivable	93,801
Total assets	$ 15,807,175
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	$ 279,118
Salaries and benefits payable	21,980
Total liabilities	301,098
Fund balance:	
Committed:	
Budget reserve account	500,000
Contracts approved and executed	2,197,960
Total committed	2,697,960
Assigned	
Future CORE programs and services	12,808,117
Total fund balance	15,506,077
Total liabilities and fund balance	$ 15,807,175

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position:	
Total fund balance	$ 15,506,077
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of $9,471).	6,125
Right-of-use assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated amortization of $114,118).	57,061
Deferred outflows of resources for pensions contributions reported in the Statement of Net Position.	275,841
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(797,089)
Deferred inflows of pensions reported in the Statement of Net Position.	(27,082)
Total net position - governmental activities	$ 15,020,933

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Fund
REVENUES	
Proposition 10 taxes	$ 3,088,016
Proposition 56 taxes	1,174,977
Interest and investment earnings	738,221
Other revenue	100,000
Total revenues	5,101,214
EXPENDITURES	
Contracts	2,239,983
Salaries and employee benefits	497,940
Services and supplies	350,629
Debt service:	
Principal retirement	33,975
Interest	155
Total expenditures	3,122,682
Net change in fund balance	1,978,532
Fund balance - beginning of year	13,527,545
Fund balance - end of year	$ 15,506,077

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in fund balance - governmental fund	$ 1,978,532
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($7,500) exceeded depreciation ($1,375) in the current period.	6,125
The governmental fund reports lease expense as expenditures. However, in the Statement of Activities, the lease is capitalized as a right-to-use asset along with a corresponding lease liability to reflect the future obligation. The cost of these right-to-use assets are amortized ($34,235) over the life of the lease including implied interest ($155) which exceeded the lease payment ($34,130) in the current period.	(34,235)
Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund	(8,850)
Change in net position - governmental activities	$ 1,941,572

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual (GAAP Basis)	Variance with Final Budget
REVENUES				
Proposition 10 taxes	$ 4,126,111	$ 4,126,111	$ 3,088,016	$ (1,038,095)
Proposition 56 taxes	-	-	1,174,977	1,174,977
Interest and investment earnings (losses)	75,000	75,000	738,221	663,221
Other revenue	212,564	212,564	100,000	(112,564)
Total revenues	4,413,675	4,413,675	5,101,214	687,539
EXPENDITURES				
Contracts	2,106,390	2,106,390	2,239,983	(133,593)
Salaries and employee benefits	672,612	672,612	497,940	174,672
Services and supplies	1,080,250	1,080,250	350,629	729,621
Contingency	500,000	500,000	-	500,000
Debt service:				-
Principal retirement	-	-	33,975	(33,975)
Interest	-	-	155	(155)
Total expenditures	4,359,252	4,359,252	3,122,682	1,236,570
Net change in fund balance	$ 54,423	$ 54,423	1,978,532	$ 1,924,109
Fund balance - beginning of year			13,527,545	
Fund balance - end of year			$ 15,506,077	

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Stanislaus County Children and Families Commission (the Commission) was established on December 8, 1998, pursuant to Health and Safety Code §130140. The Commission was also established in accordance with the provisions of the California Children and Families First Act of 1998 and by the County of Stanislaus Ordinance #687. The Commission is funded by surtaxes imposed on the sale of cigarettes and tobacco products. The nine members (as amended by Ordinance #787) of the Board of Commissioners are appointed by the County of Stanislaus (the County) Board of Supervisors.

The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of information and services to enhance early childhood development. Services to enhance early childhood development include early childhood education and health programs.

The Commission is a discretely presented component unit of the County under accounting principles generally accepted in the United States of America. As such, the results of its operations are also included in the County's Annual Comprehensive Financial Report (ACFR). The basic financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and the results of operations of the County taken as a whole. For additional information regarding the County, please refer to the audited basic financial statements available from the County.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the Commission are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements Management Discussion and Analysis for State and Local Governments*, and related standards. GASB Statement No. 34 established standards for external financial reporting for all state and local government entities which includes a Management's Discussion and Analysis section, a Statement of Net Position, Statement of Activities, and, if applicable, a Statement of Cash Flows. The financial statements consist of the following:

- Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. The Statement of Net Position presents the financial condition of the governmental activities of the Commission at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions.

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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

- Fund Financial Statements

The Commission's governmental fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 9 months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, compensated absences are recorded only when payment is due.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for the governmental fund.

The Commission reports the following major governmental fund:

The ***General Fund*** is the general operating fund of the Commission and accounts for all revenues and expenditures of the Commission.

C. Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

D. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

E. Investments

The Commission is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments (Continued)

State statutes and the Commission's Investment Policy authorize the Commission to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase Agreements, and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer.

F. Due from Other Agencies

The Commission utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. On June 30, 2024, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

G. Right-to-Use Lease Asset

The Commission has recorded right-to-use lease assets as a result of implementing GASB Statement No. 87. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use lease assets are intangible capital assets and are amortized on a straight-line basis over the life of the related lease.

H. Lease Liability

The Commission's lease liability is measured at the present value of payments expected to be made by the Commission during the lease term. As lease payments are made, the Commission will reduce the liability (principal portion of payment) and recognize interest expense.

I. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of the asset are capitalized. The Commission does not possess any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment: 3-10 years

J. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the Commission recognizes deferred outflows and inflows of resources.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

J. Deferred Outflows and Inflows of Resources (Continued)

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the Commission that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period.

K. Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Accrued Liabilities and Long-Term Obligations

All current and long-term obligations are reported in the government-wide financial statements. Compensated absences that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment at year-end.

M. Compensated Absences

Commission employees earn vacation and sick leave with pay every year. The amount of vacation and sick leave earned is based on the years of continuous service.

After at least six months of Commission service, most regular employees, upon separation, are entitled to all unused vacation time accumulation. Most regular employees are entitled to a portion of accumulated sick leave after six years of service, depending on age, years of service, and bargaining unit.

At the close of each fiscal year, the balance of this accumulated time at the last pay period is computed for each employee at the current salary range. In the financial statements, these amounts are referred to as "Compensated Absences."

In the governmental fund financial statements, a liability for these amounts is reported only if they have matured, For example, as a result of employee resignations or retirement prior to year-end, and payment of the liability is Made subsequent to year-end. This is in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

N. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 6 and the Required Supplementary Information (RSI) section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions (Continued)

In general, the Commission recognizes a net pension liability, which represents the Commission's proportionate share of the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by Stanislaus County Employees' Retirement Association (StanCERA). The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows of resources or deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County's pension plans with StanCERA and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they were reported to StanCERA.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

O. Fund Balance

In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Commission is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* – Amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority (The Board of the Children and Families Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest-level action to remove or change the constraint.
- *Assigned* – Amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission or by an official or body to which the Board of Commissioners delegates the authority.
- *Unassigned* – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Commission establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the Commission through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance (Continued)

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

For the Commission's governmental fund, the Commission strives to maintain a budgeted total fund balance that is in excess of at least half of current year budgeted revenues.

P. Net Position

Net position represents the residual interest in the Commission's assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets, including right-to-use asset, net of accumulated depreciation, accumulated amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Budgeting Procedures

The Commission prepares and legally adopts a final budget on or before July 1st of each fiscal year. After the budget is approved, the appropriations can be added to, subtracted from, or changed only by Commission resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year on the modified accrual basis of accounting. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

R. Governmental Accounting Standards Update

During the year ending June 30, 2024, the Commission implemented the following standards:

GASB Statement No. 100 – *Accounting Changes and Error Corrections.* The requirements of this statement are effective for reporting periods beginning after June 15, 2023. There was no effect on the Commission's accounting or financial reporting as a result of implementing this standard.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 101 – *Compensated Absences.* The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 – *Certain Risk Disclosures.* The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

GASB Statement No. 103 – *Financial Reporting Model Improvements* The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Subsequent Events

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through October 10, 2024, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

The Commission's cash is invested in the County cash and investment pool. The County cash and investment pool is invested in accordance with California State Government Code Section 53600. In addition, the cash and investment pool is further restricted to those investments deemed acceptable per the investment policy guidelines prepared by the County Treasurer and approved by the Board of Supervisors of the County.

For further information regarding the cash and investment pool, the audit report of the County may be obtained by writing the County of Stanislaus, 1010 10th Street, Suite 5100, Modesto, CA 85354.

Cash and investments as of June 30, 2024, consist of the following:

Cash and investments in County of Stanislaus Treasury	$ 15,183,982
Total Cash and Investments	$ 15,183,982

NOTE 3 – CAPITAL ASSETS

Capital assets activity related to governmental activities for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deletions / Adjustments	Ending Balance
Equipment	$ 8,096	$ 7,500	$ -	$ 15,596
Less accumulated depreciation	(8,096)	(1,375)	-	(9,471)
Total	$ -	$ 6,125	$ -	$ 6,125

Depreciation expense charged to the governmental unit for the year ended June 30, 2024, was $1,375.

NOTE 4 – RIGHT-TO-USE ASSET

The Commission has recorded one right-to-use leased asset. The asset is a right-to-use asset for leased building. The related lease is discussed in Note 11. The right-to-use asset is amortized on a straight-line basis over the terms of the related lease.

Right-to-use asset activity related to governmental activities for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deletions / Adjustments	Ending Balance
Intangible assets				
Right-to-use building	$ 171,178	$ -	$ -	$ 171,178
Less accumulated amortization	(79,882)	(34,235)	-	(114,117)
Total	$ 91,296	$ (34,235)	$ -	$ 57,061

Amortization expense charged to governmental activities for the year ended June 30, 2024, was $34,235.

NOTE 5 – COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 34,337	$ (6,214)	$ -	$ 28,123	$ 28,123
Total	$ 34,337	$ (6,214)	$ -	$ 28,123	$ 28,123

NOTE 6 – PENSIONS

A. Plan Description

The Commission, as a component unit of the County, is a participant in the Stanislaus County Employees Retirement Association (StanCERA), a retirement system organized under the 1937 Retirement Act. StanCERA is a cost-sharing multiple employer Public Employee Retirement System (PERS). StanCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits. Health and welfare insurance for retirees and their dependents is available, however, it is administered independently of StanCERA. The plan is administered by StanCERA. An actuarial valuation is performed for the system annually as a whole and the contribution rate is determined for each participating entity. The participating entities are the County, City of Ceres, and six special districts located in the County not governed by the County's Board of Supervisors. StanCERA issues an Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for StanCERA. The ACFR may be obtained by writing to Stanislaus County Employees Retirement Association, P.O. Box 3150, Modesto, CA 95353-3150 or by calling (209) 525-6393.

The StanCERA ACFR is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE 6 – PENSIONS (Continued)

A. Plan Description (Continued)

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. All other securities are valued at the last reported market price at current exchange rates.

Summary of Plans and Eligible Participants

General Tiers 1, 2, 4, 5 (not open to new members)	Vests after five years of credited service and may retire at age 50 or older with 10 or more years of membership with StanCERA or any age with 30 or more years of credited service
General Tier 3 (not open to new members)	Vests after ten years of credited service and may retire at age 55 with 10 or more years of credited service.
General Tier 6 (open to new members)	Vests after five years of credited service and may retire at age 52 with 5 years of service credit or age 70 regardless of service credit.
Safety Tiers 1, 2, 4, 5 (not open to new members)	Vests after five years of credited service and may retire at age 50 or older with 10 or more years of membership with StanCERA or any age with 20 or more years of credited service
Safety Tier 6 (open to new members)	Vests after five years of credited service and may retire at age 50 with 5 years of service credit or age 70 regardless of service credit.

B. Benefits Provided

Members terminating employment before accruing ten years for Tier 3 of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested members who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Members who terminate after earning five or ten years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Difference between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

For members with Tier 1, Tier 4, or Tier 5 benefits, final average salary is the average monthly salary based on the highest twelve consecutive months of earnings. For members with Tier 2, Tier 3, or Tier 6 benefits, final average salary is the average monthly salary based on the highest thirty-six consecutive months of earnings.

The retirement benefit for Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 members includes a postretirement cost-of-living adjustment (COLA) based upon the Consumer Price Index. COLA increases/decreases are limited to a maximum of 3% annually. Total COLA decrease(s) cannot exceed the cumulative amount of previous COLA increase(s). Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 provide death and disability benefits.

Those members participating in Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 are required by statute to contribute to the Pension plan. Members' contribution rates for Tier 1, Tier 2, Tier 4, and Tier 5 are formulated on the basis of the age at date of entry and the actuarially calculated future benefits. Members' contribution rate for Tier 6 is a flat rate based on the actuarially calculated future benefit. The Council is required by statute to contribute the remaining amounts necessary to finance the estimated benefits accrued to its members.

NOTE 6 – PENSIONS (Continued)

B. Benefits Provided (Continued)

Member and employer contribution rates for each plan are as follows:

PLAN	EMPLOYER CONTRIBUTION RATES	EMPLOYEE CONTRIBUTION RATES
General Tier 1	31.59%	3.39%-7.99%
General Tier 2	28.21%	4.60%-11.59%
General Tier 3	20.56%	Non-contributory
General Tier 4	33.07%	3.25%-7.91%
General Tier 5	28.68%	5.44%-13.07%
General Tier 6	26.25%	8.45%
Safety Tier 2	43.10%	7.60%-16.67%
Safety Tier 4	N/A	N/A
Safety Tier 5	48.84%	8.84%-17.41%
Safety Tier 6	41.17%	13.15%

The Commission's contributions to StanCERA for the fiscal year ended June 30, 2023, were equal to the required contributions. The required contributions for the last three fiscal years are noted in the below chart. The Commission does not contribute towards post-employment benefits other than retirement.

Fiscal Year Ended	Contributions
June 30, 2021	$ 111,213
June 30, 2022	79,113
June 30, 2023	88,747

The County Employees' Retirement Law of 1937 establishes the basic obligations for employer and member contributions and benefits to and of the retirement system. The actual employer and member contribution rates in effect each year are based on recommendations made by an independent actuary and adopted by the StanCERA Board of Retirement.

StanCERA provides a death benefit of $5,000 paid to the beneficiary or estate if a member dies after retirement, provided that Stanislaus County was the members' last public employer.

Ad-hoc benefits are non-vested benefits determined by the Board of Retirement. Approved changes to the excess earnings policy by the Board of Retirement on June 30, 2014, placed restrictions on offering ad-hoc benefits, specifically that the system must be 100% actuarially funded prior to the Board of Retirement offering any ad-hoc benefits. StanCERA is 76.0% actuarially funded as of June 30, 2023.

NOTE 6 – PENSIONS (Continued)

C. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the Commission reported a liability of $710,016 for its proportionate share of the County's proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2022, updated to June 30, 2023. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2023, the Commission's proportionate share of the County's proportionate share was 0.0947%, compared to 0.0083% at June 30, 2022, an increase of 0.0065%.

For the year ended June 30, 2024, the Commission recognized a pension expense of $36,417. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions, or method and plan benefits. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred outflows of resources - change in proportionate share	$ 176,761	$ -
Commission contributions subsequent to the measurement date	99,080	-
Deferred inflows of resources - change in actual vs. proportionate contributions	-	27,082
Total	$ 275,841	$ 27,082

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The Commission's contributions of $99,080 made subsequent to the measurement date are reported as deferred outflows of resources for fiscal year ending June 30, 2025, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2025	$ 47,176
2026	19,180
2027	84,023
2028	(700)
Thereafter	-
Total	$ 149,679

NOTE 6 – PENSIONS (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation, updated to June 30, 2023, was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

Inflation	2.50%
Salary increases	2.75% plus merit component
COLA increases	2.40% for those eligible
Investment rate of return	6.75%, net of investment expense
Post-retirement mortality	Fully generational mortality improvement projection from base year 2017 using Scale MP-2020.

The actuarial assumptions used in the June 30, 2021 actuarial valuation, updated to the June 2022 valuation, were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2021.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equities		
U.S. Large Cap	16.00%	2.10%
U.S. Small Cap	4.00%	3.20%
International Equities		
International Development	14.50%	2.50%
Emerging Market Equity	5.50%	6.70%
U.S. Fixed Income		
U.S. Treasury	6.00%	1.70%
Short-Term Gov/Credit	7.00%	3.20%
Real Estate		
Core	6.50%	2.80%
Value-Add	6.00%	4.20%
Risk Parity	10.00%	3.00%
Absolute Return	3.00%	3.10%
Private Equity	5.00%	6.60%
Private Credit	8.00%	6.10%
Infrastructure	7.50%	3.80%
Cash	1.00%	1.50%

E. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 – PENSIONS (Continued)

F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the County's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as the Commission's proportionate share of the County's proportionate share of the net pension liability if it were calculated using a discount rate that is 1 percent lower (5.75%) or 1 percent higher (7.75%) than the current rate, as follows:

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Commission's proportionate share of the County's proportionate share of the net pension liability	$ 1,109,900	$ 710,016	$ 381,557

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued StanCERA ACFR.

NOTE 7 – FUND BALANCES

In accordance with GASB Statement No. 54, fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Commitments of fund balance represent uses of funds for a specific purpose that require the Board of Commissioners action for initiation, modification, and removal. Assignment of fund balance represents managements plans that are subject to change. Fund balances have been committed for the following purposes:

- ***Budget Reserve Account*** represents an amount the Commission has established, as a contingency fund, of which no funds will be spent without prior Commission approval.
- ***Contracts Approved and Executed*** represents amounts that the Commission has authorized, entered into an agreement, and has been executed.

NOTE 8 – 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. Their policy includes coverage for bodily injury, property damage, personal injury, automobile liability, directors' and officers' liability, public officials' errors and omissions, 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. Settlements have not exceeded covered amounts for the past three years.

Risk management expenditures during the fiscal year ended June 30, 2024, are as follows:

General liability insurance	$ 3,230
Unemployment insurance	540
Workers' compensation insurance	1,620
Health insurance	3,885
Total risk management expenditures	$ 9,275

NOTE 9 – EVALUATION EXPENDITURES

The Commission spent $14,641 on program evaluation during the fiscal year ended June 30, 2024.

NOTE 10 – ECONOMIC DEPENDENCY

The Commission received the majority of its funding from taxes imposed by the California Tax and Revenue Code in correlation with Proposition 10 and Proposition 56. These codes impose additional taxes on the sale of cigarettes and tobacco products. The total amount of funding from the additional taxes was $4,262,993 or 83.57% of the total revenue for the year ended June 30, 2024. The Commission is thus subject to possible risk of reductions in services and/or closure due to potential future changes of the California Tax and Revenue Code.

NOTE 11 – LEASE LIABILITY

The Commission entered into a building lease agreement to house the operations of the Commission at 930 15th Street, Modesto, CA. The lease commenced on December 1, 2014, and terminated on February 28, 2021. The lease had an option to renew at the end of the first lease period. The lease was renewed on March 1, 2021, and will terminate on February 28, 2026. The Commission has the option to extend the terms of the lease for a period of two years from the expiration of the initial term. If the option to extend is exercised, the monthly payment will be $2,987 from March 1, 2026, through February 29, 2028. Lease expense for the year ended June 30, 2024, was $33,975. Interest expense for the year ending June 30, 2024, was $155. Lease liability was recognized as part of the implementation of GASB Statement No. 87, *Leases.* Future minimum lease and interest payments for the lease liability are as follow:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2025	$ 35,068	$ 86	$ 35,154
2026	23,882	18	23,900
	$ 58,950	$ 104	$ 59,054

REQUIRED SUPPLEMENTARY INFORMATION

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2024
LAST 10 YEARS*

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Commission's proportion of the County's proportion of the net pension liability	0.09%	0.08%	0.13%	0.13%	0.13%
Commission's proportionate share of the County's proportionate share of the net pension liability	$ 710,016	$ 577,142	$ 501,265	$ 972,196	$ 775,929
Commission's covered-employee payroll	$ 285,695	$ 240,749	$ 272,011	$ 279,769	$ 258,944
Commission's proportionate share of the County's proportionate share of the proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.52%	239.73%	184.28%	347.50%	299.65%
Plan's Fiduciary Net Position	$ 2,661,833,729	$ 2,526,425,344	$ 2,730,597,870	$ 2,205,866,239	$ 2,208,241,432
Plan fiduciary net position as a percentage of the total pension liability	76.00%	77.40%	86.50%	73.00%	77.00%

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Commission's proportion of the County's proportion of the net pension liability	0.12%	0.12%	0.10%	0.10%	0.12%
Commission's proportionate share of the County's proportionate share of the net pension liability	$ 718,274	$ 706,274	$ 649,408	$ 291,028	$ 281,849
Commission's covered-employee payroll	$ 235,034	$ 272,220	$ 211,089	$ 263,665	$ 268,299
Commission's proportionate share of the County's proportionate share of the proportionate share of the net pension liability as a percentage of its covered-employee payroll	305.60%	259.45%	307.65%	110.38%	105.05%
Commission's proportionate share of the County's proportionate share of the plan fiduciary net position	$ 2,126,960,745	$ 1,994,223,311	$ 1,772,913,713	$ 1,832,604,204	$ 1,791,309,279
Plan fiduciary net position as a percentage of the Commission's proportionate share of the County's proportionate share of the total pension liability	76.70%	74.98%	70.63%	86.10%	88.49%

* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024
LAST 10 YEARS*

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Contractually Required Contribution (Actuarially Determined)	$ 88,842	$ 78,799	$ 72,717	$ 67,783	$ 58,937
Contributions in Relation to the Actuarially Determined Contributions	88,747	79,113	111,213	106,732	98,027
Contribution Deficiency (Excess)	$ 95	$ (314)	$ (38,496)	$ (38,949)	$ (39,090)
Covered-Employee Payroll	$ 285,695	$ 240,749	$ 272,011	$ 279,769	$ 258,944
Contributions as a Percentage of Covered-Employee Payroll	31.06%	32.86%	40.89%	38.15%	37.86%

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	$ 56,535	$ 66,908	$ 51,259	$ 53,096	$ 56,552
Contributions in Relation to the Actuarially Determined Contributions	82,251	66,649	51,349	52,809	56,328
Contribution Deficiency (Excess)	$ (25,716)	$ 259	$ (90)	$ 287	$ 224
Covered-Employee Payroll	$ 235,034	$ 272,220	$ 211,089	$ 263,665	$ 268,299
Contributions as a Percentage of Covered-Employee Payroll	35.00%	24.48%	24.33%	20.03%	20.99%

* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

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*

Commission Members
Stanislaus County Children and Families Commission
Modesto, 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 and major fund of the Stanislaus County Children and Families Commission (the Commission) a component unit of the County of Stanislaus, California, as of and for the year ended June 30, 2024, the budgetary comparison statement for the general fund, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 10, 2024.

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 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 entity'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 or significant deficiencies may exist that were not 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

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effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 10, 2024

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Commission Members
Stanislaus County Children and Families Commission
Modesto, California

Report on Compliance

Opinion

We have audited the Stanislaus County Children and Families Commission (the Commission) compliance with the requirements specified in the State California's of *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act,* issued by the State Controller's Office, appliable to the Commission's statutory requirements identified below for the year ended June 30, 2024.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. 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 the 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

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assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *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 auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the 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 control 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:

Description	Audit Guide Procedures	Procedures Performed
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.

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

Bakersfield, California
October 10, 2024