STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION

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

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
JUNE 30, 2022

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STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
COMMISSION MEMBERSHIP
AS OF JUNE 30, 2022

Name	Position	Original Appointment	Term Expires
David Cooper	Community Representative **Chair**	September 2006	August 2024
Mary Ann Lilly-Tengowski	Health Services Agency **Vice-Chair**	November 2007	Permanent
Ignacio Cantu, Jr.	Community Representative	October 2017	August 2023
Vito Chiesa	Board of Supervisors	January 2009	December 2022
Daniel Diep, MD	Community Representative	December 2021	August 2023
Christine Huber, MSW	Health Services Agency	May 2022	Permanent
Nelly Paredes-Walsborn, PH.D.	Community Representative	Sepetember 2004	August 2022
Julie Vaishampayan, M.D.	Public Health Officer	May 2017	Permanent

HUDSON
HENDERSON&
COMPANY INC.
certified public accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Stanislaus County Children and Families Commission

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, 2022, 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 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, 2022, 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 Auditors' 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.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2022, the Commission adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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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Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 auditors' 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 17, 2022, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 17, 2022

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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 ended June 30, 2022. 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 as a result 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 as well as 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 also engage in numerous other activities to advance strategies of the Strategic Plan.

Fiscal Year 2021-2022 saw a prolongation of the COVID-19 pandemic as variants continued to affect the community and the provision of services to those served by the Commission and their partners. Commission staff transitioned back to working in the office, but meetings and trainings remained virtual. Partner organizations persisted in adapting their service model as a result of the pandemic in innovative and engaging ways. Despite hopes to resume in-person services in Fiscal Year 2021-2022, many remained impacted by COVID restrictions. In response, partner organizations developed a hybrid approach to services with some being offered in-person and others remaining virtual as needed. Commission staff were not able to implement all of the projects planned for the fiscal year due to limited capacity from staff vacancies at both the Commission and partner organizations and the persistence of the pandemic.

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

During Fiscal Year 2021-2022, Commission staff developed The Family Network, a subsection of their website. The Family Network includes an online resource directory, a community calendar, healthy recipes, articles and videos for parents and caregivers on numerous topics, and more. The Family Network is designed to provide families with a variety of tools and resources in one convenient location accessible anywhere they have the internet. In addition, as part of the Commission's commitment to build capacity and create more aligned and integrated systems, the Commission invested over $97,000 in training and materials for FRCs to support their implementation and continued operation of parenting education programs such as Abriendo Puertas, Nurturing Parenting, and Parent Cafés. These programs give families the skills and knowledge they need to foster the development of their children and strengthen their relationships within the community.

The Commission also: facilitated the local home visiting coordination pilot project funded by First 5 California; increased the Early Care and Education (ECE) trainings provided in partnership with the Stanislaus County Office of Education; launched PlanetBaby! which is a new prenatal to age one program in the FRCs; continued a close partnership with Yosemite Community College District for the IMPACT program; began developing an online data portal and, created a Parent Education Community of Practice to support parent education program facilitators .

FISCAL YEAR 2021-2022 FINANCIAL HIGHLIGHTS

The Fiscal Year 2021-2022 budget included a significantly increased revenue estimate of $4.93 million, which was an increase of 16% ($663,547) from the Fiscal Year 2020-2021 budget. The estimated revenue increase was based on projections used from the State of California reflecting the limited impact of COVID-19 on tobacco revenue during the prior fiscal year. Total service provider funding was budgeted at $2,168,400, which was a decrease of 5% ($813,707) from the Fiscal Year 2020-2021 budget. This funding was allocated for 11 service provider contracts. Total budgeted expenses were $4.89 million which was an estimated 3.8% increase from the prior fiscal year.

The significant revenue increase 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 2021-2022 reflect increased financial strength through greater than budgeted revenue and less than budgeted expenditures. Key indicators comparing the results of Fiscal Year 2021-2022 and Fiscal Year 2020-2021 include:

- Total revenues decreased by nearly $833,217 (-14.72%) from Fiscal Year 2020-2021 actuals primarily due to receiving less Prop 10 funding and investment losses.
- Total expenditures decreased by $253,003, (-6.74%) from Fiscal Year 2020-2021 actuals largely due to the decrease in contract expenditures.
- Decreased expenditures combined with current year revenue resulted in an addition to fund balance of $1,497,077 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.

	2022	(Restated) 2021	2020
ASSETS			
Current assets	$ 11,882,064	$ 10,587,363	$ 8,880,400
Capital assets, net of accumulated depreciation	-	-	-
Right-to-use assets, net of accumulated amortization	125,531	159,767	-
Total Assets	12,007,595	10,747,130	8,880,400
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	165,652	741,448	558,438
Total Deferred Ouflows of Resources	165,652	741,448	558,438
LIABILITIES			
Current liabilities	383,868	618,419	791,614
Noncurrent liabilities	594,190	1,193,128	849,611
Total Liabilities	978,058	1,811,547	1,641,225
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	286,754	42,146	57,462
Total Deferred Inflows of Resources	286,754	42,146	57,462
NET POSITION			
Net investment in capital assets	(964)	(230)	-
Restricted	10,909,399	9,635,115	7,740,151
Total Net Position	$ 10,908,435	$ 9,634,885	$ 7,740,151

Highlights of the above statement include:

- There was an increase in total assets over the prior year due to the Commission's Prop 10 revenue and decrease in contract expenditures.
- Current liabilities decreased compared to the prior year due to a decrease in accruals for contract costs due to other funds and accounts payable.
- Long-term liabilities decreased due to the net pension liability recorded in connection with Governmental Accounting Standards Board (GASB) Statement No. 68 (which was implemented in 2015 - making 2022 the eighth year of implementation) and a decrease in compensated absences.
- Deferred outflows of resources and deferred inflows of resources of $165,652 and $286,754, respectively, were recorded in connection with changes in the Commission's proportionate share of the County's proportionate share of the net pension liability.

	2022	(Restated) 2021	2020
Revenues			
Program revenues	$ 5,318,763	$ 5,641,098	$ 4,991,425
General revenues	(490,267)	20,615	522,899
Total Revenues	4,828,496	5,661,713	5,514,324
Expenses	3,554,946	3,766,979	3,860,272
Change in Net Position	1,273,550	1,894,734	1,654,052
Net Position, Beginning of Year	9,634,885	7,740,151	6,086,099
Net Position, End of Year	$ 10,908,435	$ 9,634,885	$ 7,740,151

Highlights of the above statement include:

- Total expenses decreased $212,033 (-5.63%) from 2021 to 2022 as a result of reductions in contract expenditures.
- Total revenues decreased $833,217 (-14.72%) from 2021 to 2022 as a result of a decrease in Prop 10 revenue and current year investment loss.
- The decrease in expenses combined with the total 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.

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 three-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 decreased for the Commission as reflected in organization expenditures over the past three years. Also, 2022 reflected a decrease in revenue from the State as well as lower than projected expenditures resulting in an increase to fund balance. The following table presents an overview of the Commission's governmental fund over the past three years.

	2022	2021	2020
Revenues			
Proposition 10 taxes	$ 3,768,343	$ 4,039,527	$ 3,840,526
Proposition 56 taxes	1,263,786	1,213,471	1,150,899
Interest and investment earnings (losses)	(490,267)	20,615	256,739
Other revenue	286,634	388,100	266,160
Total Revenues	4,828,496	5,661,713	5,514,324
Expenditures			
Contracts	2,233,039	2,659,441	3,120,007
Salaries and employee benefits	716,885	592,889	549,992
Services and supplies	347,703	492,006	208,356
Capital outlay:			
Lease right-to-use	171,178	-	-
Debt service:			
Principal retirement	33,503	11,181	-
Interest	289	83	-
Total Expenditures	3,502,597	3,755,600	3,878,355
Other Financing Sources (Uses)			
Lease and other financing proceeds	171,178	-	-
Total Other Financing Sources (Uses)	171,178	-	-
Change in Fund Balance	$ 1,497,077	$ 1,906,113	$ 1,635,969

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 2021-2022 as detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (shown on page 16). In Fiscal Year 2021-2022 the Commission received actual revenues of $5.0 million compared to the budgeted amount of $5.1 million. In preparing the budget, the Commission used revenue projections provided by the State of California. Actual total revenues were $56,074 less than budgeted, largely as the result of the interest and investment revenues. Interest and investment revenues were $570,267 less than expected. Combined Prop 10/Prop 56 revenue came in $324,706 greater than projected by the State. Other revenues and other financing sources came in at $18,309 and $171,178, respectively, more than expected.

In Fiscal Year 2021-2022, actual expenditures were approximately $1.6 million less than budgeted primarily due to a decrease in contract expenditures and lower than projected services & 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 $0 (net of accumulated depreciation) are for equipment purchased. See Note 3 for more information on capital assets. The Commission implemented GASB 87, *Leases*, in the current year. As part of the implementation, intangible capital assets of $125,531 (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 and Note 13 on the Change in Accounting Principle. 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 on the November 2022 ballot which could significantly reduce revenue as soon as January 2024.
- The unknown impact on tobacco revenue as a result of the COVID-19 Pandemic and its economic impact.
- The long-term decrease in tobacco tax revenue as projected by the State.
- The unknown impact of COVID-19 on staff and partner organizations' ability to implement strategies associated with the five-year Strategic Plan.
- The long-range model approved by the Commission on May 24, 2022, 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.

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government
ASSETS	
Cash and investments	$ 11,498,112
Due from other agencies	356,034
Other receivables	27,918
Capital assets, net of accumulated depreciation	-
Right-to-use asset, net of accumulated amortization	125,531
Total Assets	12,007,595
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pensions	165,652
Total Deferred Outflows of Resources	165,652
LIABILITIES	
Accounts payable and accrued expenses	312,708
Salaries and benefits payable	10,527
Long-term liabilities	
Portion due within one year:	
Compensated absences	27,063
Lease liability	33,570
Portion due in more than one year:	
Net pension liability	501,265
Lease liability	92,925
Total Liabilities	978,058
DEFERRED INFLOWS OF RESOURCES	
Deferred pensions	286,754
Total Deferred Inflows of Resources	286,754
NET POSITION	
Net investment in capital assets	(964)
Restricted - children's programs	10,909,399
Total Net Position	$ 10,908,435

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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	$ 3,554,946	$ -	$ 5,318,763	$ 1,763,817
Total Primary Government	$ 3,554,946	$ -	$ 5,318,763	1,763,817
	General Revenues:			
	Interest and investment earnings (losses)			(490,267)
	Total General Revenues			(490,267)
	Change in Net Position			1,273,550
	Net Position, Beginning of Year			9,635,116
	Prior Period Adjustment			(231)
	Net Position, Beginning of Year (Restated)			9,634,885
	Net Position, End of Year			$ 10,908,435

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022

ASSETS		
Cash and investments	$	11,498,112
Due from other agencies		356,034
Interest receivable		27,918
Total Assets	$	11,882,064
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	$	312,708
Salaries and benefits payable		10,527
Total Liabilities		323,235
Fund Balance:		
Committed:		
Budget reserve account		500,000
Contracts approved and executed		2,216,650
Assigned:		
Future CORE programs and services		8,842,179
Total Fund Balance		11,558,829
Total Liabilities and Fund Balance	$	11,882,064

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position		
Total fund balance	$	11,558,829
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of accumulated depreciation of $8,096)		-
Right-of-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of accumulated amortization of $45,648)		125,531
Deferred outflows of pension contributions reported in the Statement of Net Position		165,652
Long-term liabilities are not due in the current period and, therefore are not included in the governmental fund		(654,823)
Deferred inflows of pensions reported in the Statement of Net Position		(286,754)
Total Net Position - Governmental Activities	$	10,908,435

The accompanying notes are an integral part of the 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, 2022

REVENUES		
Proposition 10 taxes	$	3,768,343
Proposition 56 taxes		1,263,786
Interest and investment earnings (losses)		(490,267)
Other revenue		286,634
Total Revenues		4,828,496
EXPENDITURES		
Contracts		2,233,039
Salaries and employee benefits		716,885
Services and supplies		347,703
Capital outlay:		
Lease right-to-use		171,178
Debt service:		
Principal retirement		33,503
Interest		289
Total Expenditures		3,502,597
Excess (Deficiency) of Revenues Over (Under) Expenditures		1,325,899
OTHER FINANCING SOUCES (USES)		
Lease and other financing proceeds		171,178
Total Other Financing Sources (Uses)		171,178
Net Change in Fund Balance		1,497,077
Fund Balance, Beginning of Year		10,061,752
Fund Balance, End of Year	$	11,558,829

The accompanying notes are an integral part of the 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, 2022

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	$ 1,497,077
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($0) exceeded capital purchases ($0) in the current period.	-
Governmental funds report 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 asset are amortized ($34,236) over the life of the lease including implied interest ($289) which exceeded the lease payment ($33,792) 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.	(189,292)
Change in Net Position - Governmental Activities	$ 1,273,550

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget
REVENUES				
Proposition 10 taxes	$ 4,707,423	$ 4,707,423	$ 3,768,343	$ (939,080)
Proposition 56 taxes	-	-	1,263,786	1,263,786
Interest and investment earnings (losses)	80,000	80,000	(490,267)	(570,267)
Other revenue	148,325	268,325	286,634	18,309
Other financing sources	-	-	171,178	171,178
Total Revenues	4,935,748	5,055,748	4,999,674	(56,074)
EXPENDITURES				
Program	4,226,387	4,371,618	2,987,081	1,384,537
Evaluation	41,651	41,652	7,164	34,488
Administration	627,588	641,279	508,352	132,927
Total Expenditures	4,895,626	5,054,549	3,502,597	1,551,952
Net Change in Fund Balance	$ 40,122	$ 1,199	1,497,077	$ 1,495,878
Fund Balance, Beginning of Year			10,061,752	
Fund Balance, End of Year			$ 11,558,829	

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, a 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)

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.

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.

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due from Other Agencies: The Commission utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2022, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Right-to-Use Asset: The Commission has recorded right-to-use lease assets as a result of implementing GASB 87. The right-to-use 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 assets are intangible capital assets and are amortized on a straight-line basis over the life of the related lease.

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.

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

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.

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 retirements 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.*

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity: 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.

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending June 30, 2022, the Commission implemented the following standards:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 92 – *Omnibus 2020.* The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report.* The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

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

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 – *Omnibus 2022.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

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

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 17, 2022, 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, 2022, consist of the following:

Cash and investments in County of Stanislaus Treasury	$ 11,498,112
Total Cash and Investments	$ 11,498,112

NOTE 3 – CAPITAL ASSETS

Capital assets activity related to governmental activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Equipment	$ 8,096	$ -	$ -	$ 8,096
Total capital assets	8,096	-	-	8,096
Less: Accumulated Depreciation	(8,096)	-	-	(8,096)
Total	$ -	$ -	$ -	$ -

Depreciation expense charged to the governmental unit for the year ended June 30, 2022, was $0.

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.

NOTE 4 – RIGHT-TO-USE ASSET (continued)

Right-to-use asset activity related to governmental activities for the year ended June 30, 2022 was as follows:

	(restated) Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Intangible Assets				
Right-to-use building	$ 171,178	$ -	$ -	$ 171,178
Total capital assets	171,178	-	-	171,178
Less: Accumulated Amortization	(11,411)	(34,236)	-	(45,647)
Total	$ 159,767	$ (34,236)	$ -	$ 125,531

Amortization expense charged to governmental activities for the year ended June 30, 2022 was $34,236.

NOTE 5 – COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 153,742	$ 71,547	$ (198,226)	$ 27,063	$ 27,063
Total Compensated Absences	$ 153,742	$ 71,547	$ (198,226)	$ 27,063	$ 27,063

NOTE 6 – PENSIONS

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 a 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.

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.

NOTE 6 – PENSIONS (continued)

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.

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)

Benefits Provided (continued):

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

Plan	Employer Contribution Rates	Employee Contribution Rates
General Tier 1	32.08%	3.46-8.17%
General Tier 2	28.89%	4.63-11.67%
General Tier 3	21.14%	Non-contributory
General Tier 4	34.29%	3.32-7.96%
General Tier 5	29.79%	5.41-12.96%
General Tier 6	27.07%	8.73%
Safety Tier 2	39.23%	6.65-16.45%
Safety Tier 4	N/A	N/A
Safety Tier 5	43.38%	7.54-17.21%
Safety Tier 6	36.78%	12.34%

The Commission's contributions to StanCERA for the fiscal year ended June 30, 2021, was 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 End	Contributions	
June 30, 2019	$	98,027
June 30, 2020	$	106,732
June 30, 2021	$	111,213

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 adhoc benefits, specifically that the system must be 100% actuarially funded prior to the Board of Retirement offering any ad-hoc benefits. StanCERA is 86.5% actuarially funded as of June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022, the Commission reported a liability of $501,265 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, 2021, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2020, updated to June 30, 2021. 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, 2021, the Commission's proportionate share of the County's proportionate share was 0.1313%, compared to 0.1343% at June 30, 2020, a decrease of 0.003%.

NOTE 6 – PENSIONS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):

For the year ended June 30, 2022, the Commission recognized a pension benefit of $238,260. Pension expense (benefit) 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, 2022, 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	$ 48,334	$ -
Commission contributions subsequent to the measurement date	117,318	-
Deferred inflows of resources - change in actual vs. proportionate contributions	-	286,754
	$ 165,652	$ 286,754

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 $117,318 made subsequent to the measurement date are reported as deferred outflows of resources for fiscal year ending June 30, 2022, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

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 Ending June 30,	Amount
2023	$ (50,939)
2024	(46,370)
2025	(51,019)
2026	(90,092)
Total	$ (238,420)

Actuarial Assumptions: The total pension liability in the June 30, 2020 actuarial valuation, updated to June 30, 2021, 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%
Amortization growth rate	3.00%
Salary increases	2.75% plus merit component
COLA increases	2.40% for those eligible
Investment rate of return expense	6.75%, net of investment expenses
Post-retirement mortality	Fully generational mortality improvement projection from base year 2009 using scale MP-2018

NOTE 6 – PENSIONS (continued)

Actuarial Assumptions (continued):

The actuarial assumptions used in the June 30, 2020 actuarial valuation, updated to the June, 2021 valuation, were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2018.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equities		
U.S. Large Cap	6.20%	16.00%
U.S. Small Cap	6.30%	3.50%
International Equities		
International Development	4.83%	18.00%
Emerging Market Equity	2.07%	5.00%
U.S. Fixed Income		
Core Fixed Income	3.20%	7.00%
U.S. Treasury	2.60%	5.00%
Short-term Gov/Credit	2.90%	8.00%
Real Estate		
Core	5.60%	6.00%
Value-add	7.77%	5.00%
Risk Parity	5.10%	13.00%
Private Equity	9.90%	6.00%
Private Credit	7.80%	4.50%
Infrastructure	7.10%	2.00%
Cash	2.30%	1.00%

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.

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%
$ 1,016,662	$ 501,265	$ 80,737

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, 2022 are as follows:

General liability insurance	$ 2,490
Unemployment insurance	750
Workers' compensation insurance	1,529
Health insurance	33,163
Other insurance	300
Total Risk Management Expenditures	$ 38,232

NOTE 9 – EVALUATION EXPENDITURES

The Commission spent $7,164 on program evaluation during the fiscal year ended June 30, 2022.

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 $5,032,129, or 104.22%, of the total revenue for the year ended June 30, 2022. 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, 2022 was $33,503. Interest expense for the year ending June 30, 2022 was $289. Lease liability was recognized as part of the implementation of GASB 87, *Leases*. Future minimum lease and interest payments for the lease liability are as follow:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	$ 33,570	$ 222	$ 33,792
2024	33,975	155	34,130
2025	35,068	86	35,154
2026	23,882	18	23,900
	$ 126,495	$ 481	$ 126,976

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Coronavirus Pandemic: Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020 Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the State, including the Commission's service area. The ultimate impact of COVID-19 on the operations and finances of the Commission remains unknown.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 87, *Leases*, establishes specific criteria used to account for contracts that meets the definition of a lease. Implementation of GASB Statement No. 87 requires lessee to recognize a lease liability and an intangible right-to-use asset, and lessor to recognize a lease receivable and a deferred inflow of resources. The Statement is to enhance the relevance and consistency of information about governments' leasing activities.

As of June 30, 2022, the Commission had one lease that meets the criteria of GASB Statement No. 87 and the Commission has implemented the Statement accordingly. The Statement is applied retroactively and the financial statements are restated for all prior periods presented. As of June 30, 2022, the Commission recognized a right-to-use asset (net of accumulated amortization) of $125,531 and lease liability of $126,495 for the lease in which the Commission is a lessee.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of ($231) was recorded in the Government-Wide financial statements to restate beginning net position as a result of implementation of GASB Statement No. 87, *Leases*. The adjustment reduced net position by the lease liability recognized in the prior year and offset by a right-to-use asset.

STANISLAUS COUNTY CHILDREN
AND FAMILIES COMMISSION

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

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, 2022
LAST 10 YEARS*

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Commission's proportion of the County's proportionate net pension liability (asset)	0.13%	0.13%	0.13%	0.12%	0.12%	0.10%	0.10%	0.12%
Commission's proportionate share of the County's proportionate net pension liability (asset)	$ 501,265	$ 972,196	$ 775,929	$ 718,274	$ 706,274	$ 649,408	$ 291,028	$ 281,849
Commission's covered-employee payroll	$ 272,011	$ 279,769	$ 258,944	$ 235,034	$ 272,220	$ 211,089	$ 263,665	$ 268,299
Commission's proportionate share of the County's proportionate net pension liability (asset) as a percentage of its covered-employee payroll	184.28%	347.50%	299.65%	305.60%	259.45%	307.65%	110.38%	105.05%
Commission's proportionate share of the County's proportionate plan fiduciary net position	$ 3,200,444	$ 2,630,282	$ 2,595,223	$ 2,284,110	$ 2,117,088	$ 1,769,244	$ 1,806,975	$ 2,166,234
Plan fiduciary net position as a percentage of the Commission's proportionate share of the County's proportionate share of the total pension liability (asset)	86.50%	73.00%	77.00%	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, 2022
LAST 10 YEARS*

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually Required Contribution (Actuarially determined contribution)	$ 72,717	$ 67,783	$ 58,937	$ 56,535	$ 66,908	$ 51,259	$ 53,096	$ 56,552
Actual Contributions	$ 111,213	$ 106,732	$ 98,027	$ 82,251	$ 66,649	$ 51,349	$ 52,809	$ 56,328
Contribution deficiency (excess)	$ (38,496)	$ (38,949)	$ (39,090)	$ (25,716)	$ 259	$ (90)	$ 287	$ 224
Commission's covered-employee payroll	$272,011	$279,769	$258,944	$235,034	$272,220	$211,089	$263,665	$268,299
Actual contributions as a percentage of the County's covered-employee payroll	40.89%	38.15%	37.86%	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.

STANISLAUS COUNTY CHILDREN
AND FAMILIES COMMISSION

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

OTHER REPORTS

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

To the Board of Commissioners
Stanislaus County Children and Families Commission

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), as of and for the year ended June 30, 2022, 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 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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*.

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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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 17, 2022

HUDSON HENDERSON& COMPANY INC.
certified public accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners
Stanislaus County Children and Families Commission

Compliance

We have audited the Stanislaus County Children and Families Commission's (the Commission) compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2022.

Basis for Opinion

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

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

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

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

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 Benefits 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 Auditors' 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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 17, 2022