

**STANISLAUS COUNTY CHILDREN  
AND FAMILIES COMMISSION**

**(A Discretely Presented Component Unit of the  
County of Stanislaus, California)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2025**

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

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**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION  
COMMISSION MEMBERSHIP  
AS OF JUNE 30, 2025**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Original Appointment</u></b>	<b><u>Term Expires</u></b>
David Cooper	Community Representative	September 2006	August 2027
Heather Duvall	Health Services Agency	April 2025	Permanent
Keri Magee	Community Representative	November 2023	August 2026
Vito Chiesa	Board of Supervisor	January 2009	December 2025
Daniel Diep, MD	Community Representative	December 2021	August 2026
Christine Huber, MSW	Community Services Agency <b><i>Vice Chair</i></b>	May 2022	Permanent
Nelly Paredes-Walsborn, PhD	Community Representative <b><i>Chair</i></b>	September 2004	August 2028
Thea Papasozomenos, MD	Public Health Officer	December 2022	Permanent
Tony Jordan	School District Representative	August 2022	August 2028

## **FINANCIAL SECTION**

## 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 financial statements of the governmental activities and the major fund of the Stanislaus County Children and Families Commission (the Commission), a discretely presented component unit of the County of Stanislaus, California (the County), as of and for the year ended June 30, 2025, the budgetary comparison statement for the governmental 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission, as of June 30, 2025, the respective changes in financial position, and the respective budgetary comparison for the governmental fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

#### ***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.

## ***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; and
- 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 4-8, 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 13, 2025, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

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

Stockton, California  
October 13, 2025



**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2025**

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, 2025. 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 promote the importance of the first five years of life and strengthen community partner capacity through collaboration, funding, advocacy, and support to serve young children and their families so that every child in Stanislaus County thrives.

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 2024-2029 Strategic Plan which drives the work and investments of the organization. Strategies of the Commission revolve around its role as a capacity builder, systems strengthener, convener/catalyst, and an advocate. The Commission has four goals:

- Families are strengthened, supported, and safe.
- Children prenatal through age five are afforded equal opportunities to achieve optimal health.
- Children are eager and ready learners.
- Sustainable and coordinated systems are accessible and promote the wellbeing of children prenatal through age five.

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.

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

During fiscal year 2024-2025 Commission staff faced staffing changes. The Confidential Assistant position was vacant for 6 months before someone was hired in June 2025. The staff work mostly in the office with some hybrid options available. There were also changes to the Commission with Heather Duvall as a new Health Services Agency representative.



## FISCAL YEAR 2024-2025 FINANCIAL HIGHLIGHTS

The Fiscal Year 2024-2025 budget included a slightly increased revenue estimate of \$4.45 million, which was an increase of 0.8% \$37,280 from the Fiscal Year 2023-2024 budget. The estimated revenue increase was based on increased projections of Interest and Investment earnings. Total service provider funding was budgeted at \$2.04 million, which was a decrease of 3.3% \$68,630 from the Fiscal Year 2023-2024 budget. This funding was allocated for 11 service provider contracts. Total budgeted expenses were \$4.54 million which was an estimated 4.1% \$180,335 increase from the prior fiscal year.

The revenue increase anticipated was not realized due to lower than anticipated Tobacco Tax (Prop 10) revenues.

The highlights of Fiscal Year 2024-2025 reflect increased financial strength through greater than budgeted revenue and less than budgeted expenditures. Key indicators comparing the results of Fiscal Year 2024-2025 and Fiscal Year 2023-2024 include:

- Total revenues decreased by 9.43% \$480,836 from Fiscal Year 2023-2024 actuals primarily due to receiving less Prop 10 funding offset by interest and investment earnings.
- Total expenditures decreased by 16.10% \$508,664 from Fiscal Year 2023-2024 actuals largely due to the decrease in contract expenditures and services and supplies.
- The offset of the expenditures with current year revenue resulted in an increase to the net position of \$1,969,400 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 two years.

	2025	2024 Restated*	Change in Dollars	Change in Percent
<b>ASSETS</b>				
Current assets	\$ 18,045,563	\$ 15,807,175	\$ 2,238,388	14.16%
Capital assets, net of accumulated depreciation	4,625	6,125	(1,500)	100.00%
Right-to-use assets, net of accumulated amortization	22,826	57,061	(34,235)	-60.00%
Total assets	18,073,014	15,870,361	2,202,653	13.88%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pensions	208,705	275,841	(67,136)	-24.34%
Total deferred outflows of resources	208,705	275,841	(67,136)	-24.34%
<b>LIABILITIES</b>				
Current liabilities	530,286	309,547	220,739	71.31%
Noncurrent liabilities	751,448	797,089	(45,641)	-5.73%
Total liabilities	1,281,734	1,106,636	175,098	15.82%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pensions	18,101	27,082	(8,981)	-33.16%
Total deferred inflows of resources	18,101	27,082	(8,981)	-33.16%
<b>NET POSITION</b>				
Net investment in capital assets	3,569	4,236	(667)	15.75%
Restricted net position	16,978,315	15,008,248	1,970,067	13.13%
Total net position	\$ 16,981,884	\$ 15,012,484	\$ 1,969,400	13.12%

\*Prior year balances were restated for implementation of GASB 101 (*Compensated Absences*). See Note 12 for additional information.

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 decrease due to net pension liability recorded in connection with Governmental Accounting Standards Board (GASB) Statement No. 68 (which was implemented in 2015 – making 2025 the tenth year of implementation) offset by an increase due to compensated absences with the implementation of GASB 101, *Compensated Absences*.
- Deferred outflows of resources and deferred inflows of resources of \$208,705 and \$18,101, respectively, were recorded in connection with changes in the Commission's proportionate share of the County's proportionate share of the net pension liability.

	2025	2024 Restated*	Change in Dollars	Change in Percent
Revenues				
Program revenues	\$ 3,826,972	\$ 4,362,993	\$ (536,021)	-12.29%
General revenues	793,406	738,221	55,185	7.48%
Total revenues	4,620,378	5,101,214	(480,836)	-9.43%
Expenses	2,650,978	3,159,642	(508,664)	-16.10%
Change in net position	1,969,400	1,941,572	27,828	1.43%
Net position, beginning of year	15,012,484	13,079,361	1,933,123	14.78%
Restatement for adoption of GASB Statement No. 101	-	(8,449)	8,449	-100.00%
Net position, end of year	<u>\$ 16,981,884</u>	<u>\$ 15,012,484</u>	<u>\$ 1,969,400</u>	<u>13.12%</u>

\*Prior year balances were restated for implementation of GASB 101 (*Compensated Absences*). See Note 12 for additional information.

Highlights of the above statement include:

- Total expenses decreased 16.10% \$508,664 from 2024 to 2025 as a result of decrease in contract expenditures and increased services and supplies expenditures.
- Total revenues decreased 9.43% \$480,836 from 2024 to 2025 as a result of a decrease in Prop 10 revenue offset by interest and investment earnings.
- The decrease in expenses combined with less 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 continues 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 2025 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.

	2025	2024	Change in Dollars	Change in Percent
<b>Revenues</b>				
Proposition 10 taxes	\$ 2,538,600	\$ 3,088,016	\$ (549,416)	-17.79%
Proposition 56 taxes	1,074,472	1,174,977	(100,505)	-8.55%
Interest and investment earnings	793,406	738,221	55,185	7.48%
Other revenue	213,900	100,000	113,900	113.90%
<b>Total revenues</b>	<b>4,620,378</b>	<b>5,101,214</b>	<b>(480,836)</b>	<b>-9.43%</b>
<b>Expenditures</b>				
Contracts	1,817,288	2,239,983	(422,695)	-18.87%
Salaries and employee benefits	565,418	497,940	67,478	13.55%
Services and supplies	193,318	350,629	(157,311)	-44.87%
Debt service:				
Principal retirement	35,068	33,975	1,093	3.22%
Interest	86	155	(69)	-44.52%
<b>Total expenditures</b>	<b>2,611,178</b>	<b>3,122,682</b>	<b>(511,504)</b>	<b>-16.38%</b>
<b>Change in fund balance</b>	<b>\$ 2,009,200</b>	<b>\$ 1,978,532</b>	<b>\$ 30,668</b>	<b>1.55%</b>

\*

Prior year balances were restated for implementation of GASB 101 (*Compensated Absences*). See Note 12 for additional information.

## 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 2024-2025 as detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (shown on page 15). In Fiscal Year 2024-2025 the Commission received actual revenues of \$4.62 million compared to the budgeted amount of \$4.45 million. In preparing the budget, the Commission used revenue projections provided by the State of California. Actual total revenues were \$169,423 more than budgeted, largely as the result of the interest and investment revenues. Interest and investment revenues were \$502,106 more than expected. Combined Prop 10/Prop 56 revenue came in \$446,583 less than projected by the State. Other revenues came in at \$616,006 more than expected.

In Fiscal Year 2024-2025, actual expenditures were approximately \$1,928,409 million less than budgeted primarily due to lower than projected contracts and services and supplies spending as a result of operational impacts related to implementation of the new strategic plan and realignment of service delivery to the Commission's new strategic goals. 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 15.

## CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets of \$4,625 (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 \$22,826 (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:

- State tobacco tax revenue projections are anticipated to continue to decline through fiscal year 2028-2029.
- 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.
- Implementation of Year 2 of the 2024-2029 strategic plan.
- The long-range model approved by the Commission in May 2025, 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, 2025**

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 17,515,164
Due from other agencies	451,762
Other receivables	78,637
Capital assets, net of accumulated depreciation	4,625
Right-to-use asset, net of accumulated amortization	22,826
	<hr/>
Total assets	18,073,014
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pensions	208,705
	<hr/>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	505,040
Salaries and benefits payable	25,246
Long-term liabilities:	
Portion due within one year:	
Compensated absences	55,530
Lease liability	23,882
Portion due in more than one year:	
Net pension liability	672,036
	<hr/>
Total liabilities	1,281,734
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pensions	18,101
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets	3,569
Restricted net position - children's programs	16,978,315
	<hr/>
Total net position	\$ 16,981,884
	<hr/> <hr/>

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, 2025**

Functions/Programs	Expenses	Program Revenues		Net (Expense) and Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
Governmental Activities:				
Child development services	\$ 2,650,978	\$ -	\$ 3,826,972	\$ 1,175,994
Total Primary Government	<u>\$ 2,650,978</u>	<u>\$ -</u>	<u>\$ 3,826,972</u>	<u>\$ 1,175,994</u>
General revenues:				
Interest and investment earnings				<u>793,406</u>
Total general revenues				<u>793,406</u>
Change in net position				1,969,400
Net position, beginning of year				15,020,933
Restatement for adoption of GASB Statement No. 101				<u>(8,449)</u>
Net position, beginning of year, as restated				<u>15,012,484</u>
Net position, end of year				<u><u>\$ 16,981,884</u></u>

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

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**JUNE 30, 2025**

	Governmental Fund
<b>ASSETS</b>	
Cash and investments	\$ 17,515,164
Due from other agencies	451,762
Interest receivable	78,637
	<hr/>
Total assets	<u><u>\$ 18,045,563</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 505,040
Salaries and benefits payable	25,246
	<hr/>
Total liabilities	<u>530,286</u>
Fund balance:	
Committed:	
Budget reserve account	500,000
Contracts approved and executed	1,668,652
	<hr/>
Total committed	<u>2,168,652</u>
Assigned	
Future CORE programs and services	15,346,625
	<hr/>
Total fund balance	<u>17,515,277</u>
	<hr/>
Total liabilities and fund balance	<u><u>\$ 18,045,563</u></u>

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, 2025**

Reconciliation of the Balance Sheet of the Governmental Fund  
to the Statement of Net Position:

Total fund balance	\$ 17,515,277
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$2,875).	4,625
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 \$148,352).	22,826
Deferred outflows of resources for pensions contributions reported in the Statement of Net Position.	208,705
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(751,448)
Deferred inflows of pensions reported in the Statement of Net Position.	<u>(18,101)</u>
Total net position - governmental activities	<u><u>\$ 16,981,884</u></u>

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, 2025**

	Governmental Fund
<b>REVENUES</b>	
Proposition 10 taxes	\$ 2,538,600
Proposition 56 taxes	1,074,472
Interest and investment earnings	793,406
Other revenue	<u>213,900</u>
Total revenues	<u>4,620,378</u>
<b>EXPENDITURES</b>	
Contracts	1,817,288
Salaries and employee benefits	565,418
Services and supplies	193,318
Debt service:	
Principal retirement	35,068
Interest	<u>86</u>
Total expenditures	<u>2,611,178</u>
Net change in fund balance	<u>2,009,200</u>
Fund balance - beginning of year	<u>15,506,077</u>
Fund balance - end of year	<u><u>\$ 17,515,277</u></u>

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, 2025**

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	\$ 2,009,200
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 depreciation (\$1,500) exceeded capital outlay (\$0) in the current period.	(1,500)
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 (\$86) which exceeded the lease payment (\$35,154) 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	<u>(4,065)</u>
Change in net position - governmental activities	<u><u>\$ 1,969,400</u></u>

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, 2025**

	Original Budget	Final Budget	Actual (GAAP Basis)	Variance with Final Budget
<b>REVENUES</b>				
Proposition 10 taxes	\$ 4,059,655	\$ 4,059,655	\$ 2,538,600	\$ (1,521,055)
Proposition 56 taxes	-	-	1,074,472	1,074,472
Interest and investment earnings	291,300	291,300	793,406	502,106
Other revenue	100,000	100,000	213,900	113,900
	<u>4,450,955</u>	<u>4,450,955</u>	<u>4,620,378</u>	<u>169,423</u>
Total revenues				
<b>EXPENDITURES</b>				
Contracts	2,037,760	2,037,760	1,817,288	220,472
Salaries and employee benefits	753,575	753,575	565,418	188,157
Services and supplies	1,248,252	1,248,252	193,318	1,054,934
Contingency	500,000	500,000	-	500,000
Debt service:				
Principal retirement	-	-	35,068	(35,068)
Interest	-	-	86	(86)
	<u>4,539,587</u>	<u>4,539,587</u>	<u>2,611,178</u>	<u>1,928,409</u>
Total expenditures				
Net change in fund balance	<u>\$ (88,632)</u>	<u>\$ (88,632)</u>	<u>2,009,200</u>	<u>\$ 2,097,832</u>
Fund balance - beginning of year			<u>15,506,077</u>	
Fund balance - end of year			<u>\$ 17,515,277</u>	

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

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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's 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 **General Fund** is the general operating fund of the Commission and accounts for all revenues and expenditures of the Commission as a governmental fund.

### **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, 2025, 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
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### 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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 accordance with GASB 101, the Commission recognizes a liability only for the portion of accrued sick leave that is more likely than not to be used during employment.

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, 2025, the Commission implemented the following standards:

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023. The Commission implemented GASB Statement No. 101 during the year ended June 30, 2025. Adoption of this standard required recognition of a liability for compensated absences, including sick leave, when earned rather than when taken or paid. See Note 5 for the related disclosure of compensated absences and Note 12 for information regarding the prior year restatement resulting from adoption of this standard.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024. The Commission's net position was not impacted as a result of the adoption of this standard. The required disclosures regarding revenue concentrations are included in Note 10 to the financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**R. Governmental Accounting Standards Update** (Continued)

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

GASB Statement No. 103 – *Financial Reporting Model Improvements* The requirements of this statement are effective for reporting periods beginning after June 15, 2025. The Commission has not fully judged the impact of this standard on the financial statements.

GASB Statement No. 104 – Disclosure of certain Capital Assets. The requirements of this statement are effective for the fiscal years beginning after June 15, 2025. The Commission has not fully judged the impact of implementation of this standard on the financial statements

**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 13, 2025, 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 95354.

Cash and investments as of June 30, 2025, consist of the following:

Cash and investments in County of Stanislaus Treasury	<u>\$ 17,515,164</u>
Total Cash and Investments	<u><u>\$ 17,515,164</u></u>

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity related to governmental activities for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions / Adjustments</u>	<u>Ending Balance</u>
Equipment	\$ 15,596	\$ -	\$ (8,096)	\$ 7,500
Less accumulated depreciation	<u>(9,471)</u>	<u>(1,500)</u>	<u>8,096</u>	<u>(2,875)</u>
Total	<u><u>\$ 6,125</u></u>	<u><u>\$ (1,500)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,625</u></u>

Depreciation expense charged to the governmental unit for the year ended June 30, 2025, was \$1,500.

#### **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, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions / Adjustments</u>	<u>Ending Balance</u>
Intangible assets				
Right-to-use building	\$ 171,178	\$ -	\$ -	\$ 171,178
Less accumulated amortization	<u>(114,117)</u>	<u>(34,235)</u>	<u>-</u>	<u>(148,352)</u>
Total	<u>\$ 57,061</u>	<u>\$ (34,235)</u>	<u>\$ -</u>	<u>\$ 22,826</u>

Amortization expense charged to governmental activities for the year ended June 30, 2025, was \$34,235.

#### **NOTE 5 – COMPENSATED ABSENCES**

Compensated absences activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance June 30, 2024**</u>	<u>Net Change</u>	<u>Ending Balance June 30, 2025</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 36,572	\$ 18,958 *	\$ 55,530	\$ 55,530
Total	<u>\$ 36,572</u>	<u>\$ 18,958</u>	<u>\$ 55,530</u>	<u>\$ 55,530</u>

\*The change in compensated absences liability is presented as a net change.

\*\* Prior year balances were restated for the implementation of GASB 101, *Compensated Absences*. This restatement is reported as a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. See also Note 12 for additional information regarding the restatement of prior-year net position.

The current portion represents the amount expected to be used or paid within one year of the reporting date, consistent with the requirements of GASB 101.

#### **NOTE 6 – PENSIONS**

##### **A. Plan Description**

The Commission, as a discretely presented 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.

## **NOTE 6 – PENSIONS** (Continued)

### **A. Plan Description** (Continued)

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.

#### 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:

<u>PLAN</u>	<u>EMPLOYER CONTRIBUTION RATES</u>	<u>EMPLOYEE CONTRIBUTION RATES</u>
General Tier 1	33.24%	3.39%-7.99%
General Tier 2	30.75%	4.60%-11.59%
General Tier 3	22.56%	Non-contributory
General Tier 4	34.94%	3.25%-7.91%
General Tier 5	30.06%	5.44%-13.07%
General Tier 6	28.33%	8.53%
Safety Tier 2	45.38%	7.60%-16.67%
Safety Tier 4	N/A	N/A
Safety Tier 5	50.35%	8.84%-17.41%
Safety Tier 6	43.33%	13.30%

The Commission's contributions to StanCERA for the fiscal year ended June 30, 2024, 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.

<u>Fiscal Year Ended</u>	<u>Contributions</u>
June 30, 2023	\$ 79,113
June 30, 2024	88,747
June 30, 2025	99,767

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 member's 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 78.5% actuarially funded as of June 30, 2024.

**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, 2025, the Commission reported a liability of \$672,036 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, 2024, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2023, updated to June 30, 2024. 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, 2025, the Commission's proportionate share of the County's proportionate share was 0.0954%, compared to 0.0947% at June 30, 2024, an increase of 0.0007%.

For the year ended June 30, 2025, the Commission recognized a pension expense of \$78,905. 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, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred outflows of resources - change in proportionate share	\$ 100,659	\$ -
Commission contributions subsequent to the measurement date	108,046	-
Deferred inflows of resources - change in actual vs. proportionate contributions	<u>-</u>	<u>18,101</u>
Total	<u><u>\$ 208,705</u></u>	<u><u>\$ 18,101</u></u>

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 \$108,046 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:

<u>Year Ended June 30</u>	<u>Amount</u>
2026	\$ 14,141
2027	79,510
2028	(5,899)
2029	(5,194)
Thereafter	<u>-</u>
Total	<u><u>\$ 82,558</u></u>

**NOTE 6 – PENSIONS** (Continued)**D. Actuarial Assumptions**

The total pension liability in the June 30, 2023 actuarial valuation, updated to June 30, 2024, 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, 2023, actuarial valuation, updated to the June 30 2024 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	14.00%	3.93%
U.S. Small Cap	4.00%	4.51%
International Equities		
International Development	13.00%	3.75%
Emerging Market Equity	5.00%	6.27%
U.S. Fixed Income		
Core Fixed Income	7.00%	2.94%
U.S. Treasury	6.00%	1.67%
U.S. TIPS	4.00%	1.98%
Public Credit	4.00%	3.64%
Real Estate		
Core	6.50%	3.36%
Value-Add	6.00%	4.48%
Risk Parity	4.00%	3.81%
Absolute Return	5.00%	6.24%
Private Equity	5.00%	6.03%
Private Credit	8.00%	4.56%
Infrastructure	7.50%	3.75%
Cash	1.00%	0.74%

**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	\$ 1,091,169	\$ 672,036	\$ 327,540

### 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, 2025, are as follows:

General liability insurance	\$ 5,590
Unemployment insurance	390
Workers' compensation insurance	1,966
Health insurance	17,276
	<hr/>
Total risk management expenditures	<u>\$ 25,222</u>

## **NOTE 9 – EVALUATION EXPENDITURES**

The Commission spent \$5,842 on program evaluation during the fiscal year ended June 30, 2025.

## **NOTE 10 – ECONOMIC DEPENDENCY AND REVENUE CONCENTRATION**

The Commission receives a significant portion of its revenues from Proposition 10 and Proposition 56 tobacco tax allocations, which are collected by the State of California and distributed to county commissions based on birth rates. These codes impose additional taxes on the sale of cigarettes and tobacco products. Proposition 10 and Proposition 56 funding represented approximately 78% of the Commission's total revenues for the year ended June 30, 2025.

Because these revenues represent a significant funding source for the Commission, its ability to continue providing services is highly dependent on the continued collection and allocation of Proposition 10 funds. Future declines in tobacco product consumption, changes in legislation affecting tobacco taxation, or modifications to the State's allocation methodology could result in reduced revenues. A significant reduction in Proposition 10 and Proposition 56 funding may adversely affect the Commission's ability to sustain current program levels or initiate new services.

## **NOTE 11 – LEASE LIABILITY**

The Commission entered into a building lease agreement to house the operations of the Commission at 930 15<sup>th</sup> 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, 2025, was \$35,068. Interest expense for the year ending June 30, 2025, was \$86. 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:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 23,882	\$ 18	\$ 23,900
	<u>\$ 23,882</u>	<u>\$ 18</u>	<u>\$ 23,900</u>

## **NOTE 12 – RESTATEMENT OF PRIOR PERIOD NET POSITION**

During the fiscal year 2025, the Commission implemented GASB Statement No. 101, *Compensated Absences* which requires governments to recognize a liability for certain types of compensated absences when the benefits are earned, rather than when leave is taken or paid.

As a result of this implementation, the June 30, 2024, ending net position of governmental activities was reduced by \$8,449. Accordingly, the 2024 comparative amounts presented in these financial statements have been restated to allow for year-over-year comparison. This restatement is reported as a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*.

**NOTE 12 – RESTATEMENT OF PRIOR PERIOD NET POSITION** (Continued)

The effect of the restatement is summarized below:

	<u>Governmental Activities</u>
Net position, June 30, 2024 (as previously reported)	\$ 15,020,933
Restatement for implementation of GASB Statement No. 101	<u>(8,449)</u>
Net position, June 30, 2024 (as restated)	<u>\$ 15,012,484</u>

The restatement for prior year transactions relates to adjustments identified during the fiscal year 2024 review process and does not reflect a change in accounting principle.

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The required composition of the Commission Membership includes members from the Board of Supervisors, a County Health Officer, County Department Heads, a representative of a local school district and community representatives.

The Commission entered into a memorandum of understanding with the County of Stanislaus Chief Executive Office (County CEO) to dedicate \$1,000,000 of American Rescue Plan Act (ARPA) funds to the Commission to be used solely to fund the Entrepreneurship Childcare Program. Expenditures of leverage funding this program were \$95,000 for the year ended June 30, 2025.

## **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, 2025  
LAST 10 YEARS**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Commission's proportion of the County's proportion of the net pension liability	0.10%	0.09%	0.08%	0.13%	0.13%
Commission's proportionate share of the County's proportionate share of the net pension liability	\$ 672,036	\$ 710,016	\$ 577,142	\$ 501,265	\$ 972,196
Commission's covered-employee payroll	\$ 307,434	\$ 285,695	\$ 240,749	\$ 272,011	\$ 279,769
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	218.60%	248.52%	239.73%	184.28%	347.50%
Plan's fiduciary net position	\$ 2,874,285,000	\$ 2,661,833,729	\$ 2,526,425,344	\$ 2,730,597,870	\$ 2,205,866,239
Plan fiduciary net position as a percentage of the total pension liability	78.50%	76.00%	77.40%	86.50%	73.00%
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Commission's proportion of the County's proportion of the net pension liability	0.13%	0.12%	0.12%	0.10%	0.10%
Commission's proportionate share of the County's proportionate share of the net pension liability	\$ 775,929	\$ 718,274	\$ 706,274	\$ 649,408	\$ 291,028
Commission's covered-employee payroll	\$ 258,944	\$ 235,034	\$ 272,220	\$ 211,089	\$ 263,665
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	299.65%	305.60%	259.45%	307.65%	110.38%
Plan's fiduciary net position	\$ 2,208,241,432	\$ 2,126,960,745	\$ 1,994,223,311	\$ 1,772,913,713	\$ 1,832,604,204
Plan fiduciary net position as a percentage of the total pension liability	77.00%	76.70%	74.98%	70.63%	86.10%

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION**  
**SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**LAST 10 YEARS**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Contractually Required Contribution (Actuarially Determined)	\$ 99,104	\$ 88,842	\$ 78,799	\$ 72,717	\$ 67,783
Contributions in Relation to the Actuarially Determined Contributions	<u>99,767</u>	<u>88,747</u>	<u>79,113</u>	<u>111,213</u>	<u>106,732</u>
Contribution Deficiency (Excess)	<u>\$ (663)</u>	<u>\$ 95</u>	<u>\$ (314)</u>	<u>\$ (38,496)</u>	<u>\$ (38,949)</u>
Covered-Employee Payroll	\$ 307,434	\$ 285,695	\$ 240,749	\$ 272,011	\$ 279,769
Contributions as a Percentage of Covered- Employee Payroll	32.45%	31.06%	32.86%	40.89%	38.15%
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually Required Contribution (Actuarially Determined)	\$ 58,937	\$ 56,535	\$ 66,908	\$ 51,259	\$ 53,096
Contributions in Relation to the Actuarially Determined Contributions	<u>98,027</u>	<u>82,251</u>	<u>66,649</u>	<u>51,349</u>	<u>52,809</u>
Contribution Deficiency (Excess)	<u>\$ (39,090)</u>	<u>\$ (25,716)</u>	<u>\$ 259</u>	<u>\$ (90)</u>	<u>\$ 287</u>
Covered-Employee Payroll	\$ 258,944	\$ 235,034	\$ 272,220	\$ 211,089	\$ 263,665
Contributions as a Percentage of Covered- Employee Payroll	37.86%	35.00%	24.48%	24.33%	20.03%

## **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 the major fund of the Stanislaus County Children and Families Commission (the Commission), a discretely presented component unit of the County of Stanislaus, California, as of and for the year ended June 30, 2025, the budgetary comparison statement for the governmental 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 13, 2025.

**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 opinion 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 have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material



effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

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

Stockton, California  
October 13, 2025

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER 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 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, 2025.

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, 2025.

#### Basis for Opinion

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

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

#### Responsibilities of Management for Compliance

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

#### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether 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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

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

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-Range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

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

### **Report on 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

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

Stockton, California  
October 13, 2025