September 24, 2021

To the Board of Commissioners
Stanislaus County Children and Families Commission

We have audited the financial statements of the governmental activities and major fund of the Stanislaus County Children and Families Commission (the Commission) for the year ended June 30, 2021 and have issued our report thereon dated September 24, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 21, 2021. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new significant accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, none of which were material to the financials as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2021.

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Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, the Schedule of the Commission’s Proportionate Share of the County’s Proportionate Share of the Net Pension Liability, and the Schedule of Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Sincerely,

HUDSON HENDERSON & COMPANY, INC.

By: Brian Henderson, CPA

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION

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

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
COMMISSION MEMBERSHIP
AS OF JUNE 30, 2021

Name	Position	Original Appointment	Term Expires
Ignacio Cantu, Jr.	Community Representative **Chair**	October 2017	August 2023
David Cooper	Community Representative **Vice-Chair**	September 2006	August 2024
Vicki Bauman	School Representative	June 2005	August 2022
Vito Chiesa	County Supervisor	January 2009	December 2021
Kathryn Harwell	Community Services Agency	August 2016	Permanent
Mary Ann Lilly-Tengowski	Health Services Agency	November 2007	Permanent
Tony Lomeli	Community Representative	Sepetember 2020	August 2023
Nelly Paredes-Walsborn, PH.D.	Community Representative	Sepetember 2004	August 2022
Julie Vaishampayan, M.D.	Public Health Officer	May 2017	Permanent

HUDSON HENDERSON & COMPANY INC.
certified public accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Stanislaus County Children and Families Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Stanislaus County Children and Families Commission (the Commission), a component unit of the County of Stanislaus, California (the County), as of and for the year ended June 30, 2021, the related notes to the financial statements, and the respective budgetary comparison for the governmental fund, which collectively comprise the Commission's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission, as of June 30, 2021, the respective changes in financial position and the respective budgetary comparison statement for the governmental fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, the schedule of the Commission's proportionate share of the County's proportionate share of the net pension liability on page 30, and the schedule of the Commission's contributions on page 31 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements. The Commission Membership is presented for purposes of additional analysis and is not a required part of the financial statements. The Commission Membership has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
September 24, 2021

FIRST 5 STANISLAUS

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

This section of the Stanislaus County Children and Families Commission's (the Commission) annual financial report presents management's discussion and analysis of the Commission's financial performance for the fiscal year ended June 30, 2021. It is important to read this section in conjunction with the basic financial statements and notes in this audit.

OVERVIEW OF THE ENTITY

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

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

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

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

Fiscal Year 2020-2021 began on July 1, 2020, as COVID-19 pandemic cases created significant disruption around the globe. Commission staff were mostly working remotely, and the world was grappling with the pandemic shutdown, loss of employment, housing and food insecurity, children in virtual school and a whole spectrum of issues including a health system operating in extreme conditions. The focus of Commission staff continued to be paying invoices and keeping funded partner organizations supported as they served the community in a mostly virtual format. Partner organizations did amazing work in adapting their service model in the virtual environment; yet, COVID restricted what they could do and most of the Commission's funded partners spent significantly below their budgeted amounts during the year. Commission staff were also not able to launch all of the work that was planned for the fiscal year as the reality of the pandemic necessitated a focus on the emergency response.

First 5 partnered with Sunlight Giving in a significant way during this fiscal year as Sunlight provided a total of $240,000 in emergency funding to the Commission which was then distributed to our partners using the nonprofit Family Resource Center network. The Commission also approved the emergency distribution of $70,000 of Prop 10 funding to support the evolving technology needs of the FRCs who were changing their business model as a result of COVID. FRCs previously provided services mostly in an in-person format; with COVID, the FRCs were now having to perform work remotely and to heavily rely on technology to support this model. During Fiscal Year 2020-2021, Commission staff also completed a significant planning process with their partners at the Community Services Agency (CSA) for the future of Family Resource Center funding support. The Commission has a long-standing funding partnership with CSA that has supported numerous local FRCs for nearly 20 years. This planning process created the foundation for an updated joint contracting scope of services for funding FRCs that aligns with the Commission's current Strategic Plan. As a result of this planning process, a new Request for Proposal for the FRCs was issued and awards were made that began on July 1, 2021. The Commission also: approved a contract with the State of California for a local home visiting coordination pilot project facilitated by Commission staff; completed a pilot project for Spanish language Early Care and Education (ECE) training in partnership with the Stanislaus County Office of Education; approved the wind-down of the Healthy Birth Outcomes program partnership with the Health Services Agency and began preparations for a new prenatal to age one program to be launched in the FRCs; continued a close partnership with Yosemite Community College District for the IMPACT program; and, approved funding to support the Cradle to Career initiative underway in Stanislaus County.

FISCAL YEAR 2020-2021 FINANCIAL HIGHLIGHTS

The Fiscal Year 2020-2021 budget included a significantly reduced revenue estimate of $4.27 million which was an estimated decrease of 8.7% ($409,451) from the Fiscal Year 2019-2020 budget. The decrease was projected due to the uncertainty of the tobacco tax revenue impact of COVID-19. Total service provider funding was budgeted at $2,982,107, which was a decrease of 8.6% ($282,148) from the Fiscal Year 2019-2020 budget. This funding was allocated for 11 service provider contracts. Total budgeted expenses were $4.75 million which was an estimated 3.8% decrease from the prior fiscal year. The significant revenue decreases anticipated with the global pandemic did not materialize and total expenses also continue to reflect the strategic cost structure changes implemented by the Commission to create a more balanced budget.

The highlights of Fiscal Year 2020-2021 reflect increased financial strength through greater than budgeted revenue and less than budgeted expenditures. Key indicators comparing the results of Fiscal Year 2020-2021 and Fiscal Year 2019-2020 include:

- Total revenues increased by nearly $147,389 (2.7%) from Fiscal Year 2019-2020 actuals primarily due to receiving more Prop 10 funding, greater than projected Prop 56 revenue, and emergency funding as a result of the Coronavirus.
- Total expenditures decreased by $122,755, (-3.2%) from Fiscal Year 2019-2020 actuals largely due to the decrease in contract expenditures.
- Decreased expenditures combined with greater than projected revenue resulted in an addition to fund balance of $1,906,113 at year-end.

CONDENSED FINANCIAL STATEMENTS

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

	2021	2020	2019
ASSETS			
Current assets	$ 10,587,363	$ 8,880,400	$ 7,125,134
Capital assets, net of accumulated depreciation	-	-	-
Total Assets	10,587,363	8,880,400	7,125,134
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	741,448	558,438	440,922
Total Deferred Ouflows of Resources	741,448	558,438	440,922
LIABILITIES			
Current liabilities	584,916	791,614	655,339
Noncurrent liabilities	1,066,633	849,611	804,379
Total Liabilities	1,651,549	1,641,225	1,459,718
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	42,146	57,462	20,239
Total Deferred Inflows of Resources	42,146	57,462	20,239
NET POSITION			
Net investment in capital assets	-	-	-
Restricted	9,635,116	7,740,151	6,086,099
Total Net Position	$ 9,635,116	$ 7,740,151	$ 6,086,099

Highlights of the above statement include:

- There was an increase in total assets over the prior year is due to the Commission's increase in Prop 10 revenue and decrease in contract expenditures.
- Current liabilities decreased compared to the prior year due to a decrease in accruals for contract costs due to other funds and accounts payable.
- Long-term liabilities increased due to the net pension liability recorded in connection with Governmental Accounting Standards Board (GASB) Statement No. 68 (which was implemented in 2015 - making 2021 the seventh year of implementation).
- Deferred outflows of resources and deferred inflows of resources of $741,448 and $42,146, respectively, were recorded in connection with changes in the Commission's proportionate share of the County's proportionate share of the net pension liability.

	2021	2020	2019
Revenues			
Program revenues	$ 5,641,098	$ 4,991,425	$ 4,879,905
General revenues	20,615	522,899	236,121
Total Revenues	5,661,713	5,514,324	5,116,026
Expenses	3,766,748	3,860,272	5,057,219
Change in Net Position	1,894,965	1,654,052	58,807
Net Position, Beginning of Year	7,740,151	6,086,099	6,027,292
Net Position, End of Year	$ 9,635,116	$ 7,740,151	6,086,099

Highlights of the above statement include:

- The decrease in expenses reflects reductions in contract expenditures and a decrease in spending associated with the impacts of COVID-19.
- Total revenues increased $147,389 (2.7%) from 2020 to 2021 as a result of an increase in Prop 10 revenue, greater than projected Prop 56 revenue, and grant revenue.
- The decrease in expenses combined with greater than expected revenue resulted in a positive change in net position.

OVERALL FINANCIAL POSITION

Revenue is projected by the State of California to continue to decline for the Commission. The vast majority of Commission revenues are generated from tobacco taxes on tobacco products collected by the State of California and distributed to California's 58 counties based on the percentage of live births in each county. Tobacco tax revenue has decreased significantly since the passage of Prop 10. Revenue declined sharply in 2009-2010 when the federal government imposed higher taxes on tobacco. The increased cost of tobacco products encouraged users to quit smoking and/or purchase tobacco products in areas where taxes are not collected. Additional regulatory changes were implemented in 2017, including an increased smoking age of 21. These changes also included an additional $2 per pack cigarette tax, though this revenue was not designated to fund County Commissions. The State projected there would be a significant decline in tax revenue as a result of the $2 per pack increase. To make the county Commissions whole for this revenue loss, the State committed to "backfill" revenue through Prop 56. The State continues working to fine-tune projections for Prop 56 revenue, as accurate projections have been to be challenging to produce.

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

ANALYSIS OF THE CHILDREN AND FAMILIES COMMISSION FUND

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

Fund balances over the three-year period covered by this audit reflect policy changes by the Commission to decrease a reliance on deficit spending to come more closely to a balanced budget and to promote long-term organizational sustainability as a community resource. Total expenditures have decreased for the Commission as reflected in organization expenditures over the past three years. Also, 2021 reflected an increase in revenue from the State as well as lower than projected expenditures resulting in an increase to fund balance. The following table presents an overview of the Commission's governmental fund over the past three years.

	2021	2020	2019
Revenues			
Proposition 10 taxes	$ 4,039,527	$ 3,840,526	$ 4,401,178
Proposition 56 taxes	1,213,471	1,150,899	478,727
Interest and investment earnings	20,615	256,739	199,740
Other revenue	388,100	266,160	36,381
Total Revenues	5,661,713	5,514,324	5,116,026
Expenditures			
Contracts	2,659,441	3,120,007	4,418,804
Salaries and employee benefits	592,889	549,992	504,811
Services and supplies	503,270	208,356	245,896
Total Expenditures	3,755,600	3,878,355	5,169,511
Change in Fund Balance	$ 1,906,113	$ 1,635,969	$ (53,485)

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 2020-2021 as detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (shown on page 15). In Fiscal Year 2020-2021 the Commission received actual revenues of $5.6 million compared to the budgeted amount of $4.5 million. In preparing the budget, the Commission used revenue projections provided by the State of California. Actual total revenues were $1,141,520 more than budgeted, largely as the result of the combined Prop 10/Prop 56 revenue coming in more than $1,124,797 greater than projected by the State. Also, interest and investment revenues were $98,385 less than expected, and other revenues came in at $115,108 more than expected.

In Fiscal Year 2020-2021, actual expenditures were approximately $1.3 million less than budgeted primarily due to a decrease in contract expenditures and lower than projected services & supplies spending as a result of operational impacts related to COVID-19. A schedule of the Commission's original and final budget amounts compared with actual revenues and expenses is provided in the audited financial report, see page 15.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets of $0 (net of accumulated depreciation) are for equipment purchased. See Note 3 for more information on capital assets. 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 and pensions. See notes 4 and 5 for details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- The unknown impact on tobacco revenue as a result of the COVID-19 Pandemic and its economic impact.
- The long-term decrease in tobacco tax revenue as projected by the State.
- The unknown impact of COVID-19 on staff and partner organizations' ability to implement strategies associated with the five-year Strategic Plan.
- The long-range model approved by the Commission on May 25, 2021, shows the Commission maintaining fiscal strength through the next five fiscal years.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government
ASSETS	
Cash and investments	$ 10,230,446
Due from other agencies	332,719
Other receivables	24,198
Capital assets, net of accumulated depreciation	-
Total Assets	10,587,363
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pensions	741,448
Total Deferred Outflows of Resources	741,448
LIABILITIES	
Accounts payable and accrued expenses	270,067
Salaries and benefits payable	19,251
Due to County	236,293
Long-term liabilities	
Portion due within one year:	
Compensated absences	59,305
Portion due in more than one year:	
Compensated absences	94,437
Net pension liability	972,196
Total Liabilities	1,651,549
DEFERRED INFLOWS OF RESOURCES	
Deferred pensions	42,146
Total Deferred Inflows of Resources	42,146
NET POSITION	
Net investment in capital assets	-
Restricted - children's programs	9,635,116
Total Net Position	$ 9,635,116

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) and Revenues and Change in Net Position: Governmental Activities
Primary Government:				
Governmental Activities:				
Child development services	$ 3,766,748	$ -	$ 5,641,098	$ 1,874,350
Total Primary Government	$ 3,766,748	$ -	$ 5,641,098	1,874,350
General Revenues:				
Interest and investment earnings				20,615
Total General Revenues				20,615
Change in Net Position				1,894,965
Net Position, Beginning of Year				7,740,151
Net Position, End of Year				$ 9,635,116

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021

ASSETS		
Cash and investments	$	10,230,446
Due from other agencies		332,719
Interest receivable		24,198
Total Assets	$	10,587,363
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	$	270,067
Salaries and benefits payable		19,251
Due to County		236,293
Total Liabilities		525,611
Fund Balance:		
Committed:		
Budget reserve account		500,000
Contracts approved and executed		2,548,969
Assigned:		
Future CORE programs and services		7,012,783
Total Fund Balance		10,061,752
Total Liabilities and Fund Balance	$	10,587,363

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	
Total fund balance	$ 10,061,752
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of accumulated depreciation of $8,096)	-
Deferred outflows of pension contributions reported in the Statement of Net Position	741,448
Long-term liabilities are not due in the current period and, therefore are not included in the governmental fund	(1,125,938)
Deferred inflows of pensions reported in the Statement of Net Position	(42,146)
Total Net Position - Governmental Activities	$ 9,635,116

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

REVENUES		
Proposition 10 taxes	$	4,039,527
Proposition 56 taxes		1,213,471
Interest and investment earnings		20,615
Other revenue		388,100
Total Revenues		5,661,713
EXPENDITURES		
Contracts		2,659,441
Salaries and employee benefits		592,889
Services and supplies		503,270
Total Expenditures		3,755,600
Net Change in Fund Balance		1,906,113
Fund Balance, Beginning of Year		8,155,639
Fund Balance, End of Year	$	10,061,752

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in Fund Balance - Governmental Fund	$	1,906,113
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($0) exceeded capital outlay ($0) in the current period.		-
Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund.		(11,148)
Change in Net Position - Governmental Activities	$	1,894,965

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget
REVENUES				
Proposition 10 taxes	$ 4,128,201	$ 4,128,201	$ 4,039,527	$ (88,674)
Proposition 56 taxes	-	-	1,213,471	1,213,471
Interest and investment earnings	119,000	119,000	20,615	(98,385)
Other revenue	25,000	272,992	388,100	115,108
Total Revenues	4,272,201	4,520,193	5,661,713	1,141,520
EXPENDITURES				
Program	4,190,621	4,523,331	3,354,296	1,169,035
Evaluation	33,065	33,065	17,463	15,602
Administration	527,482	527,764	383,841	143,923
Total Expenditures	4,751,168	5,084,160	3,755,600	1,328,560
Net Change in Fund Balance	$ (478,967)	$ (563,967)	1,906,113	$ 2,470,080
Fund Balance, Beginning of Year			8,155,639	
Fund Balance, End of Year			$ 10,061,752	

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- Government-Wide Financial Statements-

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

- Fund Financial Statements-

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

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

The Commission reports the following major governmental fund:

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due from Other Agencies: The Commission utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2021, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

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

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

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

Equipment:	3-10 years

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

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Pensions: In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 5 and the Required Supplementary Information (RSI) section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending June 30, 2021, the Commission implemented the following standards:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61.* The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

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

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

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

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

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

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

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

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

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 September 24, 2021, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

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

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

Cash and investments as of June 30, 2021, consist of the following:

Cash and investments in County of Stanislaus Treasury	$ 10,230,446
Total Cash and Investments	$ 10,230,446

NOTE 3 – CAPITAL ASSETS

Capital assets activity related to governmental activities for the year ended June 30, 2021 was as follows:

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

Depreciation expense charged to the governmental unit for the year ended June 30, 2021, was $0.

NOTE 4 – COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 140,535	$ 66,102	$ (52,895)	$ 153,742	$ 59,305
Total Compensated Absences	$ 140,535	$ 66,102	$ (52,895)	$ 153,742	$ 59,305

NOTE 5 – PENSIONS

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

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

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

Summary of Plans and Eligible Participants

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

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

NOTE 5 – PENSIONS (continued)

Benefits Provided (continued):

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.

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

Plan	Employer Contribution Rates	Employee Contribution Rates
General Tier 1	30.97%	3.46-8.17%
General Tier 2	27.38%	4.63-11.67%
General Tier 3	20.16%	Non-contributory
General Tier 4	33.55%	3.32-7.96%
General Tier 5	28.67%	5.41-12.96%
General Tier 6	25.81%	8.63%
Safety Tier 2	38.20%	6.65-16.45%
Safety Tier 4	23.02%	4.95-7.37%
Safety Tier 5	42.39%	7.54-17.21%
Safety Tier 6	35.77%	12.33%

The Commission's contributions to StanCERA for the fiscal year ended June 30, 2020, was equal to the required contributions. The required contributions for the last three fiscal years are noted in the below chart. The Commission does not contribute towards post-employment benefits other than retirement.

Fiscal Year End	Contributions	
June 30, 2018	$	82,251
June 30, 2019	$	98,027
June 30, 2020	$	106,732

NOTE 5 – PENSIONS (continued)

Benefits Provided (continued):

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

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

Ad-hoc benefits are non-vested benefits determined by the Board of Retirement. Approved changes to the excess earnings policy by the Board of Retirement on June 30, 2014, placed restrictions on offering adhoc benefits, specifically that the system must be 100% actuarially funded prior to the Board of Retirement offering any ad-hoc benefits. StanCERA is 73% actuarially funded as of June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2021, the Commission reported a liability of $972,196 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, 2020, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2019, updated to June 30, 2020. 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, 2020, the Commission's proportionate share of the County's proportionate share was 0.1343%, compared to 0.1322% at June 30, 2019, an increase of 0.0021%.

For the year ended June 30, 2021, the Commission recognized a pension expense of $108,791. 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, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred outflows of resources - change in proportionate share	$ 630,235	$ -
Commission contributions subsequent to the measurement date	111,213	-
Deferred inflows of resources - change in actual vs. proportionate contributions	-	42,146
	$ 741,448	$ 42,146

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 $111,213 made subsequent to the measurement date are reported as deferred outflows of resources for fiscal year ending June 30, 2021, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

NOTE 5 – PENSIONS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued): Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	$ 16,786
2023	38,754
2024	43,308
2025	489,241
Total	$ 588,089

Actuarial Assumptions: The total pension liability in the June 30, 2019 actuarial valuation, updated to June 30, 2020 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	2.75%
Amortization growth rate	3.00%
Salary increases	3.00% plus merit component
COLA increases	2.60% for those eligible
Investment rate of return expense	7.00%, net of investment expenses
Post-retirement mortality	Sex distinct RP-2000 Combined Mortality, projected to 2021 using scale MP-2018

The actuarial assumptions used in the June 30, 2019 actuarial valuation, updated to the June, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2016.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equities		
U.S. Large Cap	3.70%	14.00%
U.S. Small Cap	3.30%	3.00%
International Equities		
International Development	5.60%	18.00%
Emerging Market Equity	6.50%	5.00%
U.S. Fixed Income		
Core Fixed Income	1.20%	0.00%
U.S. Treasury	0.60%	3.00%
Short-term Gov/Credit	0.70%	19.00%
Real Estate		
Core	4.00%	5.00%
Value-add	6.00%	5.00%
Risk Parity	5.00%	13.00%
Private Equity	6.70%	6.00%
Private Credit	5.60%	6.00%
Infrastructure	5.80%	2.00%
Cash	0.00%	1.00%

NOTE 5 – PENSIONS (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Commission's proportionate share of the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1 percent higher (8.00%) than the current rate, as follows:

1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
$ 1,475,319	$ 972,196	$ 561,481

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued StanCERA ACFR.

NOTE 6 – 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 7 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, employee's health and natural disasters. The Commission manages these various risks of loss by purchasing commercial insurance coverage. 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.

NOTE 7 – RISK MANAGEMENT (continued)

Risk management expenditures during the fiscal year ended June 30, 2021 are as follows:

General liability insurance	$	1,690
Unemployment insurance		480
Workers' compensation insurance		1,290
Health insurance		40,776
Other insurance		208
Total Risk Management Expenditures	$	44,444

NOTE 8 – EVALUATION EXPENDITURES

The Commission spent $17,463 on program evaluation during the fiscal year ended June 30, 2021.

NOTE 9 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2021, the Commission paid the County, a related party, $571,904 for program services. The Commission is a special revenue fund of the County as stated in Note 1.

NOTE 10 – ECONOMIC DEPENDENCY

The Commission received the majority of its funding from taxes imposed by the California Tax and Revenue Code in correlation with Proposition 10 and Proposition 56. These codes impose additional taxes on the sale of cigarettes and tobacco products. The total amount of funding from the additional taxes was $5,252,998, or 92.78%, of the total revenue for the year ended June 30, 2021. The Commission is thus subject to possible risk of reductions in services and/or closure due to potential future changes of the California Tax and Revenue Code.

NOTE 11 – OPERATING LEASES

The Commission entered into a building lease agreement to house the operations of the Commission at 930 15th Street, Modesto, CA. The lease commenced on December 1, 2014, and terminated on February 28, 2021. The lease had an option to renew at the end of the first lease period. The lease was renewed on March 1, 2021 and will terminate on February 28, 2026. Lease expense for the year ending June 30, 2021 was $33,792. Future minimum lease payments are as follow:

Year Ending June 30	Amount
2022	$ 33,792
2023	33,792
2024	34,130
2025	35,154
2026	23,900
	$ 160,768

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION

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

REQUIRED SUPPLEMENTARY INFORMATION

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021
LAST 10 YEARS*

	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Commission's proportion of the County's proportionate net pension liability (asset)	0.13%	0.13%	0.12%	0.12%	0.10%	0.10%	0.12%
Commission's proportionate share of the County's proportionate net pension liability (asset)	$ 972,196	$ 775,929	$ 718,274	$ 706,274	$ 649,408	$ 291,028	$ 281,849
Commission's covered-employee payroll	$ 279,769	$ 258,944	$ 235,034	$ 272,220	$ 211,089	$ 263,665	$ 268,299
Commission's proportionate share of the County's proportionate net pension liability (asset) as a percentage of its covered-employee payroll	347.50%	299.65%	305.60%	259.45%	307.65%	110.38%	105.05%
Commission's proportionate share of the County's proportionate plan fiduciary net position	$2,630,282	$2,595,223	$2,284,110	$2,117,088	$1,769,244	$1,806,975	$2,166,234
Plan fiduciary net position as a percentage of the Commission's proportionate share of the County's proportionate share of the total pension liability (asset)	73.00%	77.00%	76.70%	74.98%	70.63%	86.10%	88.49%

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021
LAST 10 YEARS*

	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually Required Contribution (Actuarially determined contribution)	$ 67,783	$ 58,937	$ 56,535	$ 66,908	$ 51,259	$ 53,096	$ 56,552
Actual Contributions	$ 106,732	$ 98,027	$ 82,251	$ 66,649	$ 51,349	$ 52,809	$ 56,328
Contribution deficiency (excess)	$ (38,949)	$ (39,090)	$ (25,716)	$ 259	$ (90)	$ 287	$ 224
Commission's covered-employee payroll	$279,769	$258,944	$235,034	$272,220	$211,089	$263,665	$268,299
Actual contributions as a percentage of the County's covered-employee payroll	38.15%	37.86%	35.00%	24.48%	24.33%	20.03%	20.99%

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

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION

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

OTHER REPORTS

HUDSON HENDERSON & COMPANY INC.
certified public accountants

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

To the Board of Commissioners
Stanislaus County Children and Families Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Stanislaus County Children and Families Commission (the Commission), as of and for the year ended June 30, 2021, the related notes to the financial statements, and the respective budgetary comparison for the governmental fund, which collectively comprise the Commission's financial statements as listed in the table of contents, and have issued our report thereon dated September 24, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

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

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
September 24, 2021

HUDSON HENDERSON& COMPANY INC.
certified public accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners
Stanislaus County Children and Families Commission

Compliance

We have audited the Stanislaus County Children and Families Commission's (the Commission) compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the requirements of the law and regulations applicable to the California Children and Families Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

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Opinion

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, 2021.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
September 24, 2021