COMMITTEE ROUTING	
Administrative/Finance	☒
Operations	☒
Executive	☒

ACTION AGENDA SUMMARY

AGENDA DATE: October 27, 2026 COMMISSION AGENDA #: 8.A. (PUBLIC HEARING)

SUBJECT:

Public Hearing to Consider the Acceptance of the First 5 Stanislaus 2025-2026 Financial Audit Report

BACKGROUND:

Following its passage by voters in 1998, the provisions of Proposition 10 were codified into California State Law as Sections 130100 – 130155 of the California Health and Safety Code. Section 130150 of the California Health and Safety Code requires that local Children and Families Commissions complete an annual audit each year, conduct a public hearing on the audit, and submit the audit to the State by November 1st.

The Commission contracted with Brown Armstrong Accountancy Corporation, (Bakersfield, CA) to perform the 2025-2026 annual audit. First 5 Stanislaus staff continue to maintain strong accounting and fiscal practices with a commitment to responsibility for taxpayer funds. The internal control structure is designed to provide reasonable, but not absolute, assurance that financial statements are free of material misstatements. First 5 Stanislaus staff undertake fiscal accountability and monitoring actions throughout the year to help monitor compliance with all appropriate laws and regulations. The objective of these controls is to ensure compliance with legal provisions as established in State law and code.

An outside audit is a major undertaking that requires a significant amount of time on the part of both staff and the outside auditor. This audit is also the opportunity for staff to learn and identify potential opportunities for improvement. If findings or recommendations were to occur as part of the annual audit process, staff would take appropriate action to strengthen fiscal practices for the benefit of taxpayers and public accountability.

The purpose of the audit report is to form an opinion on the financial statements of First 5 Stanislaus as to whether they present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission as of June 30, 2026, the respective changes in financial position and the respective budgetary comparison statement for the governmental fund for the year then ended, in accordance with generally accepted accounting principles.

The audit is conducted 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.

The audit, which has been included with the Commission's agenda packet, contains a significant deficiency in internal controls. The audit report includes items such as the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Financial Statements, and other materials. At the Commission's October 27, 2026, meeting a public hearing will be held on the audit.

An electronic copy of the audit can be found on the First 5 Stanislaus website under "Reports by Year" http://first5stan.org/all_reports.shtm.

The Administrative and Finance Committee, the Operations Committee, and the Executive Committee heard a report on the First 5 Stanislaus 2025-2026 Audit Report at their respective meetings on October 12th, October 15th, and October 21st.

STAFF RECOMMENDATIONS:

1. Conduct a public hearing to consider acceptance of the First 5 Stanislaus 2025-2026 Financial Audit Report prepared by Brown Armstrong Accountancy Corporation.
2. Accept the First 5 Stanislaus 2025-2026 Financial Audit Report.

FISCAL IMPACT:

Brown Armstrong Accountancy Corporation shall be compensated for the services provided effective July 1, 2026, through June 30, 2028, as follows:

1. July 1, 2026, through June 30, 2027, shall not exceed $25,000

   July 1, 2027, through June 30, 2028, shall not exceed $25,000

COMMISSION ACTION:

On motion of Commissioner _____Seconded by Commissioner
and approved by the following vote:
Ayes: Commissioner(s):
Noes: Commissioner(s):
Excused or Absent Commissioner(s):
Abstaining: Commissioner(s):

1) Approved as recommended.
2) _____ Denied.
3) _____ Approved as amended.

Motion: _____

Attest: _____

Teala Diaz – Confidential Assistant IV