

**STANISLAUS COUNTY CHILDREN
AND FAMILIES COMMISSION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2013**

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

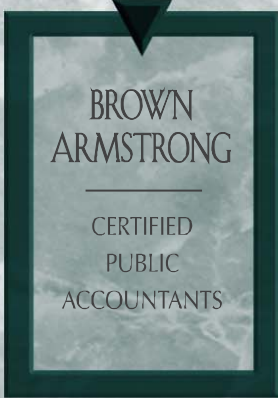
TABLE OF CONTENTS

	<u>Page</u>
Commission Membership.....	i
 <u>FINANCIAL SECTION</u> 	
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited).....	4
 <u>Basic Financial Statements</u>	
Government-Wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities	11
Fund Financial Statements:	
Major Governmental Fund:	
Balance Sheet – Governmental Fund.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP) – Governmental Fund	14
Notes to Basic Financial Statements	15
 <u>COMPLIANCE SECTION</u> 	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditor’s Report on State Compliance.....	25
 <u>Supplementary Information</u>	
Supplemental Schedule of First 5 California Funding.....	27

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
COMMISSION MEMBERSHIP
AS OF JUNE 30, 2013**

<u>Name</u>	<u>Position</u>	<u>Original Appointment</u>	<u>Term Expires</u>
Vicki Bauman	School Representative Chair	June 2005	August 2013
Vito Chiesa	Board of Supervisors	January 2009	December 2013
David Cooper	Community Representative	September 2006	August 2015
Denise Hunt	Community Representative Vice-Chair	September 2011	August 2014
Mary Ann Lee	Director, Health Services Agency	November 2007	Permanent
Nelly Paredes-Walsborn, PH.D	Community Representative	September 2004	August 2013
Madelyn Schlaepfer	Director, Behavioral Health & Recovery Services	November 2012	Permanent
George Skol	Community Representative	June 2002	August 2014
John Walker, MD	Health Officer	November 2000	Permanent

FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Stanislaus County Children and Families Commission
Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Stanislaus County Children and Families Commission (the Commission), a component unit of the County of Stanislaus, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

MAIN OFFICE

4200 TRUXTON AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission, as of June 30, 2013, the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

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 4 – 9 be presented to supplement the basic financial statements. Such information, 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

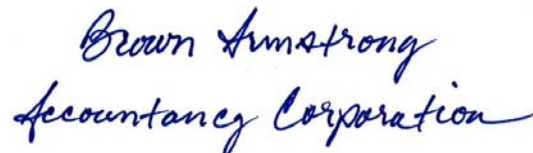
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Supplemental Schedule of First 5 California Funding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental Schedule of First 5 California Funding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of First 5 California Funding is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style.

Bakersfield, California
September 18, 2013

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2013**

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, 2013. It is important to read this section in conjunction with the basic financial statements and notes in this audit.

FISCAL YEAR 2012-2013 FINANCIAL HIGHLIGHTS

In 2013, the Commission completed its 14th year of operations in Stanislaus County promoting the development and well-being of children 0 through 5 years of age. As the Commission expended funds to implement its Strategic Plan, it also continued to implement a plan to spend down a reserve accumulated when the Commission first began operations. Consequently, the highlights of the 2012-2013 fiscal year tend to reflect these efforts:

- Total revenues decreased more than \$180,000 (3%) from 2012 to 2013 primarily due to fewer state-wide tobacco sales.
- Commission expenditures decreased approximately \$1,187,000 (16%) primarily due to the elimination of selected community programs. Programs were eliminated in order to provide extended financial support to priority programs and services identified in the Commission's Strategic Plan.
- In a planned draw down of reserves, the Commission's expenditures exceeded revenues by approximately \$448,000 in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts:

- Basic financial statements, including government-wide and fund statements and notes to those statements.
- This discussion and analysis of the basic financial statements.

The Commission's basic financial statements offer key, high-level financial information about its activities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private sector business. These statements provide both long-term and short-term information about the Commission's overall financial status.

The statement of net position includes information on all of the Commission's assets and liabilities with the difference between assets and liabilities reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related and legal requirements. All of the Commission's activities are accounted for in one fund.

As a rule, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources at the end of the fiscal year.

The Commission adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the adopted budget.

The Commission was created as an independent County agency by an ordinance of the Board of Supervisors, who acted under the authority of California State law. A nine member Commission appointed by the Board of Supervisors governs the Commission and authorizes expenditures. Consequently, the Stanislaus County Auditor's Office has designated the Commission as a County agency unit of local government and includes the Commission's basic financial statements in the County of Stanislaus' basic financial statements.

CONDENSED FINANCIAL STATEMENTS

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Revenues</u>			
Program revenues	\$ 5,855,098	\$ 5,708,845	\$ 5,598,688
General revenues	<u>171,260</u>	<u>147,520</u>	<u>76,899</u>
Total revenues	6,026,358	5,856,365	5,675,587
<u>Total Expenditures</u>	<u>8,056,111</u>	<u>7,310,231</u>	<u>6,123,200</u>
Deficiency of revenues over expenditures	<u>(2,029,753)</u>	<u>(1,453,866)</u>	<u>(447,613)</u>
Special item	<u>(8,308,994)</u>	<u>8,308,994</u>	<u>-</u>
Change in net position	(10,338,747)	6,855,128	(447,613)
Beginning net position	16,568,114	6,164,785	13,019,913
Prior period adjustment	<u>(64,582)</u>	<u>-</u>	<u>-</u>
Beginning net position (restated)	<u>16,503,532</u>	<u>6,164,785</u>	<u>13,019,913</u>
Ending net position	<u><u>\$ 6,164,785</u></u>	<u><u>\$ 13,019,913</u></u>	<u><u>\$ 12,572,300</u></u>

Highlights of the above statement include:

- By expending more than it receives, the Commission is continuing to follow its plan to reduce its reserves. (The Commission's stated policy is to maintain at least six month's worth of operating costs in its reserve.)
- Total revenues declined by more than \$180,000 from 2012 to 2013 primarily due to:
 - A decline in tobacco purchases. Projections for future years anticipate further declines in tobacco tax revenues due to fewer smokers purchasing cigarettes. (Tobacco taxes, which make up a significant portion of the Commission's program revenue, are distributed according to a formula that considers the amount of tobacco purchased in the State and the number of live births in the County of Stanislaus.)
 - It should be noted that, despite receiving \$286,000 more in tobacco tax revenues in 2013 than was projected by the budget, total revenues declined 3% from 2012.
 - Lower investment earnings resulting from low interest rates and reduced cash balance.
- Total expenses declined from 2012 to 2013 due to a planned reduction in the number of programs receiving Commission support.
- Legislation signed into law by the Governor in March of 2011 (AB 99) required the Commission to send approximately \$8,300,000 of its fund balance to the State General Fund by June 30, 2012. When this amount was included as a liability in 2011, the Commission's change in net position steeply declined. In November of 2011, the Courts ruled AB 99 to be unconstitutional and unenforceable. In the Commission's 2012 financial statements, the AB 99 liability was reversed and the Commission's net position increased.

	2011	2012	2013
<u>Assets</u>			
Current assets	\$ 16,063,979	\$ 14,038,252	\$ 13,253,667
Capital assets, net	2,980	1,277	-
Total assets	<u>\$ 16,066,959</u>	<u>\$ 14,039,529</u>	<u>\$ 13,253,667</u>
<u>Liabilities</u>			
Current liabilities	\$ 9,838,764	\$ 960,849	\$ 653,007
Long-term liabilities	63,410	58,767	28,360
Total liabilities	<u>9,902,174</u>	<u>1,019,616</u>	<u>681,367</u>
<u>Net Position</u>			
Net investment in capital assets	2,980	1,277	-
Restricted net position	6,161,805	13,018,636	12,572,300
Total net position	<u>6,164,785</u>	<u>13,019,913</u>	<u>12,572,300</u>
Total liabilities and net position	<u>\$ 16,066,959</u>	<u>\$ 14,039,529</u>	<u>\$ 13,253,667</u>

Highlights of the above statement include:

- Current liabilities decreased significantly between 2011 and 2012 due to the reversal of the \$8,300,000 AB 99 liability. The reversal was necessary due to the Courts finding AB 99 to be unconstitutional.
- Restricted net position increased significantly between 2011 and 2012 due to the reversal of the AB 99 liability.
- The decrease in total assets over this three year period is due to the Commission's planned spend down of its reserves.

OVERALL FINANCIAL POSITION

The vast majority of Commission revenues are generated from a \$.50 per pack tax on tobacco products that is collected by the State of California and distributed to California's 58 counties based on the percentage of live births in each county. Since the creation of the Commission in 1998, tobacco tax revenues have steadily declined an average of 2% per year. This decline accelerated sharply in 2009-2010 when the federal government imposed higher taxes on tobacco. The increased cost of tobacco products caused users to quit smoking or purchase tobacco products in areas where taxes are not collected (Indian reservations, out of state, or even over the internet). Although a continuing decline in tobacco tax revenues is expected in future years, the sharp decline noted in 2009-2010 is expected to be a one-time event and future revenue reductions are expected to be more in line with past experience.

Legislation signed into law by the Governor in March of 2011 (AB 99) required the Commission to send approximately \$8,300,000 of its fund balance to the State General Fund by June 30, 2012. Consequently, this amount was included as a liability in the 2011 basic financial statements. In November of 2011, the Courts ruled AB 99 to be unconstitutional and unenforceable. In the Commission's 2012 basic financial statements, the AB 99 liability was reversed and the Commission's net position was increased.

Due to anticipated and ongoing tobacco tax revenue decreases (the primary source of revenue for the Commission), a revised Strategic Plan and Priorities Plan were adopted by the Commission in December of 2011 and January of 2012, respectively. The two plans provide specific detail about Commission priorities and direction in order to give the community as much time as possible to plan for changes in funding support levels.

According to its financial policies, the Commission is to maintain a reserve that contains the equivalent of at least six month's worth of operating costs. Long-term projections of revenues and expenditures permit program operations to be adjusted to ensure a sufficient reserve is maintained.

ANALYSIS OF THE CHILDREN AND FAMILIES COMMISSION FUND

The Board of Supervisors' ordinance establishing the Stanislaus County Children and Families Commission created a trust fund to record Commission revenues and expenditures. Because the Stanislaus Commission Proposition 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.

And while fund balance increased between 2011 and 2012 due to the reversal of the AB 99 liability, fund balance over the 3 year period covered by this audit continues to decrease as a result of the Commission's strategic decision to utilize fund balance to support community programs.

BUDGET VERSUS ACTUAL VARIATIONS

The following table compares the original budget for the 2012-2013 fiscal year with the final budget. Both budgets can then be compared to actual expenditures for the year. It should be noted that these figures were developed according to modified accrual basis of accounting standards.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget</u>
Revenues				
Proposition 10 - tobacco tax	\$ 5,226,752	\$ 5,226,752	\$ 5,513,353	\$ 286,601
Grant revenue	105,000	105,000	81,857	(23,143)
Surplus money investment fund	-	-	1,957	1,957
Investment earnings	124,865	124,865	76,899	(47,966)
Miscellaneous revenue	-	-	1,521	1,521
Total revenues	<u>5,456,617</u>	<u>5,456,617</u>	<u>5,675,587</u>	<u>218,970</u>
Expenditures				
Contracts	6,890,923	6,890,923	5,589,147	1,301,776
Community conferences	14,000	14,000	9,464	4,536
Salaries and employee benefits	491,403	491,403	434,455	56,948
Services and supplies	128,675	128,675	119,264	9,411
Total expenditures	<u>7,525,001</u>	<u>7,525,001</u>	<u>6,152,330</u>	<u>1,372,671</u>
Net change in fund balance	<u>\$ (2,068,384)</u>	<u>\$ (2,068,384)</u>	(476,743)	<u>\$ 1,591,641</u>
Fund balance - beginning of year			<u>13,077,403</u>	
Fund balance - end of year			<u>\$ 12,600,660</u>	

Highlights of the above statement include:

- In 2013, the Commission actually received \$219,000 more in total revenues than what was budgeted. This represents a 4% increase over projected revenues.
- Some of the underspending in the Contracts line item in 2013 is due to:
 - Maximization of State programs and funding sources through the referral of clients to State services and enhanced billing to the Medi-Cal program (Healthy Cubs program).
 - An authorized contract not being executed by the program operator (Kindergarten Transition).
 - A Contingency for Contract Adjustments line item not being used.
- Salaries and Employee Benefits were underspent due to an authorized position being left vacant during the year.

CAPITAL ASSETS AND LONG-TERM DEBT

The Net Investment in Capital Assets line item was decreased by \$1,277 to zero, which represents the full depreciation of the copier in 2013. No depreciation for the copier will be included in the 2014 financial statements.

CURRENTLY KNOWN CONDITIONS

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

- In recent years, and especially during the economic recession, the California State Legislature repeatedly attempted to divert Proposition 10 resources for State uses. Part of this effort included placing measures on the ballot seeking voter approval to amend Proposition 10 to divert Commission resources to the State. Proposition 30, which was adopted by voters in November of 2012, levied additional sales taxes that prevented automatic “trigger” reductions in the State budget – primarily in the areas of health and social services. The infusion of Proposition 30 revenue into the State budget and the continuing recovery of California’s economy have taken the focus off Proposition 10 as an available source of cash for the State. Consequently, Commission staff is cautiously optimistic that no major State raids on Proposition 10 funds will be forthcoming in the next few years, which means the Commission’s Strategic Plan can be implemented as written.
- The 2012-2014 Strategic Plan and the accompanying Priorities Plan provide specific detail about Commission priorities and direction. As planned, the Commission has decreased its support to some community programs during these financial reporting periods in order to support priority programs for an extended period of time. This effort to provide priority community programs with extended financial support should be successful – barring any unexpected changes in the Commission’s operating environment.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Commission’s finances for those with an interest in the Commission’s operations. 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, 1010 10th Street, Suite 5000, Modesto, CA 95354.

BASIC FINANCIAL STATEMENTS

STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 12,151,570
Due from other agencies	1,061,571
Interest receivable	<u>40,526</u>
Total assets	<u><u>\$ 13,253,667</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 641,198
Salaries and benefits payable	11,809
Long-term liabilities, compensated absences	<u>28,360</u>
Total liabilities	<u>681,367</u>
<u>NET POSITION</u>	
Restricted net position - children's programs	<u>12,572,300</u>
Total net position	<u>12,572,300</u>
Total liabilities and net position	<u><u>\$ 13,253,667</u></u>

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, 2013**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) and Revenues and Change in Net Position Governmental Activities
Governmental activities:			
Child development services	\$ 6,123,200	\$ 5,598,688	\$ (524,512)
Totals	\$ 6,123,200	\$ 5,598,688	(524,512)
		General revenues:	
		Interest and investment earnings	76,899
		Change in net position	(447,613)
		Net position beginning of year	13,019,913
		Net position end of year	\$ 12,572,300

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

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 12,151,570
Due from other agencies	1,061,571
Interest receivable	<u>40,526</u>
Total assets	<u><u>\$ 13,253,667</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 641,198
Salaries and benefits payable	<u>11,809</u>
Total liabilities	<u>653,007</u>
<u>FUND BALANCE</u>	
Committed	
Approved contracts not yet executed	6,307,354
Budget reserve account	500,000
Contracts approved and executed	<u>210,000</u>
Total committed	7,017,354
Assigned	
Future CORE programs and services	<u>5,583,306</u>
Total fund balance	<u>12,600,660</u>
Total liabilities and fund balance	<u><u>\$ 13,253,667</u></u>
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position:	
Total fund balance	\$ 12,600,660
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$17,029).	-
Compensated absences (long-term liabilities) are not due in the current period and, therefore, are not included in the governmental fund.	<u>(28,360)</u>
Total net position - governmental activities	<u><u>\$ 12,572,300</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, 2013**

	General Fund
Revenues	
Proposition 10 - tobacco tax	\$ 5,513,353
Grant revenue	81,857
Surplus money investment fund	1,957
Investment earnings	76,899
Miscellaneous revenue	1,521
Total revenues	5,675,587
Expenditures	
Contracts	5,598,611
Salaries and employee benefits	434,455
Services and supplies	119,264
Total expenditures	6,152,330
Net change in fund balance	(476,743)
Fund balance - beginning of year	13,077,403
Fund balance - end of year	\$ 12,600,660
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	\$ (476,743)
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 (\$1,277) exceeded capital outlays (\$0) in the current period.	(1,277)
Compensated absences (long-term liabilities) are not due during the current year and, therefore, are not recorded in the governmental fund. This is the amount by which compensated absences increased in the current period.	30,407
Change in net position - governmental activities	\$ (447,613)

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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget</u>
Revenues				
Proposition 10 - tobacco tax	\$ 5,226,752	\$ 5,226,752	\$ 5,513,353	\$ 286,601
Grant revenue	105,000	105,000	81,857	(23,143)
Surplus money investment fund	-	-	1,957	1,957
Investment earnings	124,865	124,865	76,899	(47,966)
Miscellaneous revenue	-	-	1,521	1,521
	<u>5,456,617</u>	<u>5,456,617</u>	<u>5,675,587</u>	<u>218,970</u>
Expenditures				
Contracts	6,904,923	6,904,923	5,598,611	1,306,312
Salaries and employee benefits	491,403	491,403	434,455	56,948
Services and supplies	128,675	128,675	119,264	9,411
	<u>7,525,001</u>	<u>7,525,001</u>	<u>6,152,330</u>	<u>1,372,671</u>
Net change in fund balance	<u>\$ (2,068,384)</u>	<u>\$ (2,068,384)</u>	(476,743)	<u>\$ 1,591,641</u>
Fund balance - beginning of year			<u>13,077,403</u>	
Fund balance - end of year			<u>\$ 12,600,660</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, 2013

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 #1014. The Commission is funded by surtaxes imposed on the sale of cigarettes and tobacco products. The nine members (as amended by Ordinance #1030) of the Commission are appointed by the County of Stanislaus 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 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 of Stanislaus taken as a whole. For additional information regarding the County of Stanislaus, please refer to the audited basic financial statements available from the County of Stanislaus.

B. Basis of Presentation and Accounting

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, and a statement of activities. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted.

Government-Wide Statements

The Commission's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Commission.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Commission's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements. The Commission only has one fund, the General Fund. The General Fund is the Commission's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Commission.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Accounting (Continued)

Governmental Fund Financial Statements (Continued)

All governmental fund types are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are recognized when received in cash, except that revenues subject to accrual, generally 180 days after year-end, are recognized when due. Expenditures are recognized in the accounting period in which the related fund liability is incurred. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

The government-wide financial statements were adjusted from the modified accrual basis of accounting used on the fund financial statements to the accrual basis of accounting used for the government-wide financial statements. These adjustments included expenses for depreciation during the year related to capital assets and compensated absence obligations.

Non-Exchange Transactions

A non-exchange transaction consists of a government giving or receiving value without directly receiving or giving equal value in return. These transactions include income taxes, sales taxes, property taxes and fines, certain grants, and private donations. Recognition of sales taxes or derived tax revenue transactions assume accrual basis of accounting, per GASB Statement No. 33, except where indicated for revenue recognition.

C. Budgets and Budgetary Accounting

The Commission prepares and legally adopts a final budget on or before August 30th of each fiscal year. The Commission operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Commissioners in the June of the prior 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.

D. Due from Other Agencies

These amounts represent receivables from other governments or contractors. As of June 30, 2013, the Commission was due \$1,061,571 from the State of California and \$40,526 in interest revenues. Management believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment – 10 years

F. Compensated Absences – Vacation and Sick Leave

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 County of Stanislaus 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 basic financial statements, these amounts are referred to as “Compensated Absences.”

G. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Fund Equity

Beginning with fiscal year 2011, the Commission implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **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 (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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Equity (Continued)

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.

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 the prior year actual Generally Accepted Accounting Principles (GAAP) basis expenditures.

I. Governmental Accounting Standards Update

During the fiscal year ending June 30, 2013, the Commission implemented the following standards:

GASB Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. Upon implementation, there was no effect on the Commission's accounting or financial reporting.

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. Upon implementation, there was no effect on the Commission's accounting or financial reporting.

GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. Upon implementation, there was no effect on the Commission's accounting or financial reporting.

GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* modifies current financial reporting of those elements. The largest change was the replacement of the current Statement of Net Assets with a Statement of Net Position and a Statement of Changes in Net Position instead of the current Statement of Changes in Net Assets upon implementation for periods beginning after December 15, 2011. The Commission has implemented this change for the fiscal year ended June 30, 2013.

GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. Upon implementation, there was no effect on the Commission's accounting or financial reporting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Governmental Accounting Standards Update (Continued)

Recently released standards by GASB affecting future fiscal years are as follows:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012. The Commission will implement this statement for the fiscal year ending June 30, 2014.

GASB Statement No. 66 – *Items Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. As of the date of the basic financial statements, the Commission has not made an assessment of any changes that will occur upon this statement's implementation.

GASB Statement No. 67 – *Financial Reporting for Pension Districts - an amendment of GASB Statement No. 25*. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. The Commission has not fully judged the effect of the implementation of GASB Statement No. 67 as of the date of the basic financial statements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The Commission has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of the basic financial statements

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. The Commission has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. The Commission has not fully judged the effect of the implementation of GASB Statement No. 70 as of the date of the basic financial statements

NOTE 2 – CASH AND INVESTMENTS

The Commission's cash is invested in the County of Stanislaus cash and investment pool. The County of Stanislaus 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 of Stanislaus.

Cash and investments held as of June 30, 2013, were invested in certificates of deposit, commercial paper, money market funds, federal notes, treasury notes and bills, corporate notes, and an external investment pool.

Interest earned on the cash and investment pool is apportioned on a quarterly basis. Per GASB Statement No. 31, investment losses and gains are recorded at market value on the Statement of Net Position and as income for the period. The changes resulting from investment losses and gains are shared by the various participants of the pool. For further information regarding the cash and investment pool, the audit report of the County of Stanislaus may be obtained by writing the County of Stanislaus, 1010 10th Street, Suite 5100, Modesto, CA 95354.

Cash and investment balances as of June 30, 2013, are as follows:

\$ 12,151,570

NOTE 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 17,029	\$ -	\$ -	\$ 17,029
Less accumulated depreciation	<u>(15,752)</u>	<u>(1,277)</u>	<u>-</u>	<u>(17,029)</u>
Total	<u>\$ 1,277</u>	<u>\$ (1,277)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ending June 30, 2013, was \$1,277.

NOTE 4 – ECONOMIC DEPENDENCY

The Commission received the majority of its funding from one source, taxes imposed by Section 30131.2 of the California Tax and Revenue Code. This code imposes additional taxes on the sale of cigarettes and tobacco products. The total amount of funding from the additional taxes was \$5,513,353 or 97.16% of total revenue for the year ending June 30, 2013. The Commission is thus subject to possible risk of reductions in services and/or closure due to potential future changes to Section 30131.2 of the California Tax and Revenue Code.

NOTE 5 – GOVERNMENT-WIDE STATEMENTS, NET POSITION – CLASSIFICATIONS

The classification of net position into three components, net investment in capital assets, restricted, and unrestricted, is required by GASB Statement No. 34 (and subsequently GASB Statement No. 63). These classifications are defined as follows:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted Net Position – Consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislations.

Unrestricted Net Position – Consists of funds which are undesignated and available for general operations.

NOTE 6 – FUND FINANCIAL STATEMENTS, 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 purposes that require the Board of Commissioners Action for action, modification, and removal. Assignment of fund balance represent management plans that are subject to change. Fund balances have been Committed for the following purposes:

Approved Contracts Not Yet Executed represents amounts that the Commission has authorized and entered into an agreement, but the contract has not been executed.

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 – COMMITMENTS

Operating Lease, Building – The Commission entered into a building lease agreement to house the operations of the Commission at 930 15th Street, Modesto, California. The lease commenced on December 7, 2010, and was set to terminate on December 6, 2013. However, on July 1, 2012, the Commission utilized its option to terminate the lease by giving ninety (90) days written notice to the Lessor. The Commission has no further obligation past the ninety day period. There are no remaining future minimum payments for the years ending after June 30, 2013, for the 15th Street, Modesto, California location. Total lease expense for the 15th Street, Modesto, California location for the year ending June 30, 2013, was \$14,080.

For fiscal year 2013, the Commission entered into a lease agreement to house the operations of the Commission at 1010 10th Street, Modesto, California, within the Stanislaus County Auditor-Controller's office. The lease commenced on November 1, 2012, and shall continue indefinitely, so long as the Commission agrees to the updated monthly payment every year. The monthly lease payments are \$1,260.40 a month and will be adjusted November 1 of each year to reflect actual maintenance and operations costs as reflected in the Tenth Street Joint Powers Authority (JPA) budget and the Tenth Street Place actual debt service costs.

Future minimum payments for the year ending June 30th is as follows:

	<u>2014</u>
Office space lease	<u>\$ 5,042</u>
Total	<u><u>\$ 5,042</u></u>

NOTE 8 – RISK MANAGEMENT

The Commission is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in the County of Stanislaus risk management insurance. Insurance covered under the County of Stanislaus' risk management includes general liability, unemployment, workers' compensation, professional liability, health insurance, and other benefits.

No claims were outstanding during the year ending June 30, 2013. Audit reports of the County of Stanislaus listing further details of the County of Stanislaus' insurance coverage may be obtained by writing the County of Stanislaus, 1010 10th Street, Suite 5100, Modesto, California 95354.

Risk management expenditures during the fiscal year are as follows:

	<u>2013</u>
General liability insurance	\$ 1,570
Unemployment insurance	1,788
Workers' compensation insurance	2,852
Health insurance	40,951
Other insurance	<u>736</u>
Total risk management expenditures	<u><u>\$ 47,897</u></u>

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM

The Commission's employees participate in the County of Stanislaus retirement system. The County of Stanislaus is a major participant of the Stanislaus County Employees' Retirement Association (StanCERA). StanCERA was established under the County Retirement Act of 1937 under California State Government Code Section 31450. StanCERA is a cost-sharing multiple-employer public employee retirement system.

Membership to StanCERA is required of all full-time employees and permanent part-time (50% or more of the regular hours) on the first day of employment. Employees eligible for retirement benefits are vested after 5 years of service except for Plan 3 which requires 10 years of service. Employees who have reached the age of 50 or employees with 30 years of service, regardless of age, are eligible to retire. Benefits are calculated as a percentage of the employee's monthly final average salary per year of service, depending upon age of retirement. An independent actuary provides an actuarial valuation of the system annually.

In addition to the retirement benefits, StanCERA provides post employment benefits which include medical, dental, and vision insurance along with death benefits for eligible retirees. These benefits are funded from excess earnings of StanCERA. The County of Stanislaus does not contribute to these post employment benefits. The Board of Retirement may eliminate the benefit by giving 90 days notice to retirees.

For further information regarding the retirement system and to obtain audit reports of StanCERA, write to PO Box 3150, 832 12th Street, Suite 600, Modesto, California 95353.

Retirement and post employment benefit expenditures during the fiscal year ended June 30, 2013, were \$60,835.

NOTE 10 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2013, the Commission paid the County of Stanislaus, a related party, \$2,589,589 for the following costs: \$35,945 in accounting, legal, and administrative services and \$2,553,644 for program services. The Commission is a special revenue fund of the County of Stanislaus as stated in Note 1.

NOTE 11 – PROGRAM EVALUATION

The Commission spent \$33,863 on program evaluation during the fiscal year ended June 30, 2013, all of which consisted of Commission salaries, benefits, services, and supplies based on time study allocations.

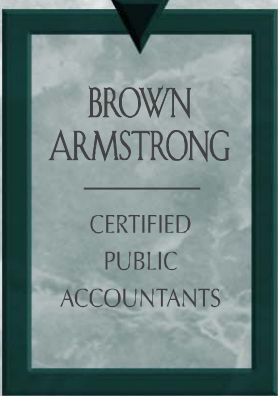
NOTE 12 – SECTION 30131.4 OF THE CALIFORNIA TAX AND REVENUE CODE CERTIFICATION

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax and Revenue Code has been met.

NOTE 13 – SUBSEQUENT EVENTS

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through September 18, 2013, which is the date the basic financial statements were issued.

COMPLIANCE SECTION



BROWN ARMSTRONG
Certified Public Accountants

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

Independent Auditor's Report

To the Board of Commissioners of the
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 general
fund of the Stanislaus County Children and Families Commission (the Commission),
a component unit of the County of Stanislaus, as of and for the year ended June 30,
2013, and the related notes to the financial statements, which collectively comprise
the Commission's basic financial statements, and have issued our report thereon
dated September 18, 2013.

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.

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300

BAKERSFIELD, CA 93309

TEL 661.324.4971

FAX 661.324.4997

EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263

TEL 661.746.2145

FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B

PASADENA, CALIFORNIA 91101

TEL 626.240.0920

FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237

STOCKTON, CA 95207

TEL 209.451.4833



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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*.

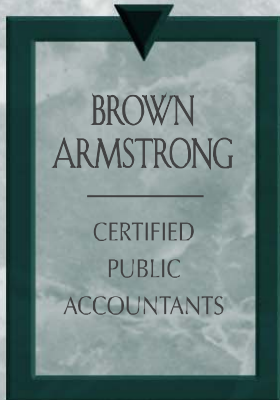
Purpose of this Report

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 style and is positioned below the printed name of the firm.

Bakersfield, California
September 18, 2013



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Commissioners of the
Stanislaus County Children and Families Commission
Modesto, California

We have audited the governmental activities and general fund of the Stanislaus County Children and Families Commission (the Commission), a component unit of the County of Stanislaus, as of and for the year ended June 30, 2013, and have issued our report thereon dated September 18, 2013. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. We have also audited the Commission's 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, 2013. Compliance with the requirements referred to above is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Commission's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our compliance audit 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 compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. 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. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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:

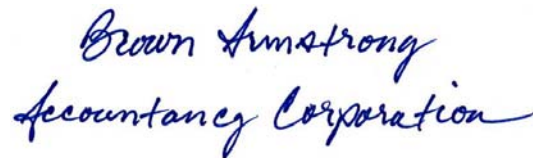
<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-Range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and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

Opinion

In our opinion, the Stanislaus County Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended June 30, 2013.

This report is intended solely for the information and use of the County Board of Supervisors, the County Commission, the State Commission, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
September 18, 2013

SUPPLEMENTARY INFORMATION

**STANISLAUS COUNTY CHILDREN AND FAMILIES COMMISSION
 SUPPLEMENTAL SCHEDULE OF
 FIRST 5 CALIFORNIA (F5CA) FUNDING
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Program or Project Title		REVENUE		EXPENDITURES	CHANGE IN NET ASSETS	NET ASSETS	
		F5CA FUNDS				BEGINNING OF YEAR (RESTATED)	NET ASSETS END OF FY
Child Signature Program	F5CA Program Funds	\$ 81,857	\$	81,857	\$ -	\$ -	\$ -
	County, Local Funds	-		-	-	-	-
TOTAL CHILD SIGNATURE FUNDS		\$ 81,857	\$	81,857	\$ -	\$ -	\$ -