



Christine C. Applegate
Director

BOARD OF SUPERVISORS

2012 JAN 31 A 10:57

251 E. Hackett Road
O. Box 42, Modesto, CA 95353-0042
Phone: 209.558.2500 Fax: 209.558.2558

January 30, 2012

To the County of Stanislaus Board of Supervisors
Modesto, California

The California Department of Education (CDE) requires the Community Services Agency to submit an annual audit of the Child Care and Development Stage 2 and Stage 3 Contracts.

Please find attached Caporicci and Larson, Inc.'s Stage 2 and Stage 3 Fiscal Year 2010-2011 CDE Child Care and Development Program Audit. The auditors' Statement of Audit Standards SAS 114 letter "The Auditor's Communication with Those Charged with Governance" is the required audit communication to the Agency and the Board of Supervisor's.

The Auditors' report that the Child Care FY 2010-2011 financial statements present fairly, in all material respects, the financial position of the Agency's Child Care programs as of June 30, 2011 and meet generally accepted accounting principles in the United States.

The audited Financial Statement totaled \$5,910,669, with one uncorrected financial misstatement of \$9,948 related to a data entry error. The Agency determined that current procedures provide reasonable assurance that reporting is accurate. The error was unique and the effect immaterial, both individually and in the aggregate, to the financial statement taken as whole. However, in order to further improve internal controls the Department established additional review procedures to be completed in Fiscal Year 2011-2012.

The audit recognizes the Agency's ongoing commitment to improve and utilize best business practices. This information is intended solely for use by the Stanislaus County Board of Supervisors, the Chief Executive Office, and CSA management.


Christine C. Applegate
Director

cc: CEO Office



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

November 8, 2011

To the County of Stanislaus Board of Supervisors
Modesto, California

We have audited the financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Program (the "Programs") for the year ended June 30, 2011, and have issued our report thereon dated November 8, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 10, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Programs. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Programs' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Programs during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Summary of Significant Accounting Policies
- Contingencies

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 trivial, and communicate them to the appropriate level of management. The attached schedule (included with the management representation letter) summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 November 8, 2011, which is attached to this communication.

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 governmental unit's financial statements or a determination of the type of auditors' 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 Programs' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the County of Stanislaus Board of Supervisors and management of the Programs and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
November 8, 2011



COMMUNITY SERVICES AGENCY

Christine C. Applegate
Director

251 E. Hackett Road
P.O. Box 42, Modesto, CA 95353-0042

Phone: 209.558.2500 Fax: 209.558.2558

November 08, 2011

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
101 Montgomery Street, Suite 1900
San Francisco, CA 94104

We are providing this letter in connection with your audit of the financial statements of Stanislaus County Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs") as of June 30, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the Programs and the respective changes in financial position in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of November 08, 2011, the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all:
 - a) Financial records and related data.
 - b) Minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5) We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule (**Appendix 1**) are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.
- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.




Page 2
Child Care FY 2010/2011 Stage 2 and Stage 3
Management Representation Letter

- 7) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 8) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 9) We have a process to track the status of audit findings and recommendations.
- 10) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 11) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 12) The Programs have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 13) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the Programs are contingently liable.
 - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 14) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 15) There are no:
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
- 16) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have

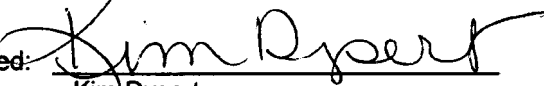
Page 3
Child Care FY 2010/2011 Stage 2 and Stage 3
Management Representation Letter

made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

- 17) The Programs have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 18) The Programs have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 19) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 20) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 21) The financial statements properly classify all funds and activities.
- 22) Provisions for uncollectible receivables have been properly identified and recorded.
- 23) We have appropriately disclosed the Programs' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 24) With respect to the supplementary information presented on the Basic Financial Statements.
 - a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 25) We have evaluated the Programs' ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
- 26) We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: 
Christine C. Applegate
Director

Signed: 
Patrice Dietrich
Chief Financial Officer

Signed: 
Kim Dysert
Fiscal Operations Manager

Page 4
Child Care FY 2010/2011 Stage 2 and Stage 3
Management Representation Letter

Appendix 1 – Passed Adjustments

Description	Debit	Credit
Due from the County	\$9,948	
Due to Department of Education		\$9,948
Revenues	\$9,948	
Salaries		\$9,948

County of Stanislaus

Community Services Agency Program Services and Support Fund

Child Development Programs
Modesto, California

*Financial Statements, Supplementary
Information and Independent Auditors'
Reports*

For the year ended June 30, 2011

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs**

Table of Contents

	<u>Page</u>
General Information	i
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Notes to Financial Statements	7
Supplemental Information:	
Schedule of Expenditures by State Category	12
Audited Final Fiscal Report for Alternative Payment Program - C2AP-0069	14
Audited Final Fiscal Report for Alternative Payment Program - C3AP-0067	15
Combining Schedule of Administrative Costs.....	16
Schedule of Equipment Expenditures Utilizing Contract Funds	17
Schedule of Renovation and Repair Expenditures Utilizing Contract Funds	18
Independent Auditors' Report on Compliance (Including Those Contained in the <i>CDE Audit Guide</i> issued by the State of California Department of Education) and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Findings and Questioned Costs - Current Year	21
Findings and Questions Costs - Prior Year	22

**County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs**

General Information

Official Name, Address and Telephone Number of Agency

County of Stanislaus
Community Services Agency
251 E. Hackett Road
P.O. Box 42
Modesto, CA 95353
(209) 558-2500

Program Name and Contract Numbers

C2AP-0069 CCDF Alternative Payment, Stage 2 CalWORKS
C3AP-0067 CCDF Alternative Payment, Stage 3 CalWORKS

Type of Agency

Public Agency

Agency Director

Christine C. Applegate

Grant Period

July 1, 2010 to June 30, 2011

Days of Operation

241

Hours of Operation

Opening Time: 8:00 A.M.
Closing Time: 5:00 P.M.
Total number of hours open per day: 9.0

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

To the County of Stanislaus Board of Supervisors
Modesto, California

We have audited the accompanying financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs") as of and for the year ended June 30, 2011, as listed in the foregoing table of contents. These financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal controls over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Programs as of June 30, 2011, and the results of operations for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2011, on our consideration of the Programs' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

To the County of Stanislaus Board of Supervisors
Modesto, California
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in conformity with the *CDE Audit Guide* issued by the California Department of Education. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
November 8, 2011

FINANCIAL STATEMENTS

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Balance Sheet
June 30, 2011

	Alternative Payment Programs		Total
	Stage 2 C2AP	Stage 3 C3AP	
ASSETS			
Restricted cash	\$ 547,084	\$ 342,314	\$ 889,398
Total assets	<u>547,084</u>	<u>342,314</u>	<u>889,398</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	399,150	34,549	433,699
Due to the CA Department of Education (CDE)	147,934	307,765	455,699
Total liabilities	547,084	342,314	889,398
Fund balances	-	-	-
Total liabilities and fund balances	<u>\$ 547,084</u>	<u>\$ 342,314</u>	<u>\$ 889,398</u>

The accompanying Notes are an integral part of these Financial Statements.

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2011

	Alternative Payment Programs		Total
	Stage 2 C2AP	Stage 3 C3AP	
REVENUES:			
Government apportionment:			
Current year contracts	\$ 4,738,241	\$ 1,051,130	\$ 5,789,371
Parent fees	61,604	59,694	121,298
Total revenues	4,799,845	1,110,824	5,910,669
EXPENDITURES:			
Salaries	526,382	96,841	623,223
Employee benefits	260,381	46,811	307,192
Provider payments	3,876,639	939,920	4,816,559
Other operating expenditures	136,443	27,252	163,695
Total expenditures	4,799,845	1,110,824	5,910,669
REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCES:			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -

The accompanying Notes are an integral part of these Financial Statements.

This page intentionally left blank.

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Notes to Financial Statements
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs") include the financial activities of the alternative payment programs which make payments directly to childcare providers for eligible families that receive subsidized childcare services. The financial operations of the Programs are accounted for in the Special Revenue Funds of the County of Stanislaus (County).

The accompanying financial statements are not intended to present the financial position or results of operations of the County. For complete disclosures refer to the County's Annual Financial Report.

B. Fund Accounting

The accounts of the County are organized on the basis of funds which are considered to be separate accounting entities. The operations of the Childcare Fund are accounted for in separate sets of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and for individual funds based on the purposes for which they are spent and means by which spending activities are controlled. These funds are legally restricted for specific purposes and are included in the basic financial statements of the County.

C. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus. Accordingly, only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets.

The Programs' financial activities are accounted for using the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Revenues considered susceptible to accrual include charges for services, federal and state grants and interest. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

2. RESTRICTED CASH

The County maintains a cash pool that is available for use by all funds. Separate cash balances for individual contracts within the Community Services Agency Program Services and Support Fund's Child Development Programs are not maintained by the County. Cash balances for individual contracts are determined from cash receipt and cash disbursement records of the individual contracts. Cash under the programs are restricted for program uses only.

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Notes to Financial Statements, Continued
For the year ended June 30, 2011

3. AMOUNTS DUE TO OTHER AGENCIES

Due to the State of California Department of Education

The amount due to the State of California Department of Education represents the overpayments of fiscal year 2010-2011 contracts received from the State of California Department of Education. As of June 30, 2011 the Programs have \$455,699 due to the State of California Department of Education:

<u>Period</u>	<u>Total Amount of Overpayments</u>
2010 - 2011	\$ 455,699

4. CHILD DEVELOPMENT CONTRACTS

The Programs contract with the California State Department of Education to conduct a child care alternative payment program. The Programs' reimbursement is the lesser of allowable costs incurred and a maximum funding amount. For the year ended June 30, 2011, the Programs earned \$5,789,371 of the maximum contract amount of \$6,699,246.

The Programs had the following grant expenditures and corresponding grant receipts for the fiscal year ending June 30, 2011.

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Grant Award Amount</u>	<u>Grant Expenditures</u>	<u>Grant Revenues Received</u>	<u>Amount Due From/ (To) State</u>
Program Grants:						
Federal Grants passed through the State:						
Alternative Payment - Stage 2	93.575	C2AP-0069	\$ -	\$ -	\$ -	\$ -
Alternative Payment - Stage 3	93.575	C3AP-0067	1,030,489	704,357	910,590	(206,233)
Alternative Payment - Stage 3	93.596	C3AP-0067	356,762	-	-	-
Alternative Payment - Stage 3	93.596	C3AP-0067	138,430	70,811	91,543	(20,732)
Total Federal grants			<u>\$ 1,525,681</u>	<u>\$ 775,168</u>	<u>\$ 1,002,133</u>	<u>\$ (226,965)</u>
State Grants:						
Alternative Payment - Stage 2		C2AP-0069	\$ 5,173,565	\$ 4,738,241	\$ 4,886,175	\$ (147,934)
Alternative Payment - Stage 3		C3AP-0067	-	275,962	356,762	(80,800)
Total State grants			<u>\$ 5,173,565</u>	<u>\$ 5,014,203</u>	<u>\$ 5,242,937</u>	<u>\$ (228,734)</u>
Federal and State Total:						
Alternative Payment - Stage 2		C2AP-0069	\$ 5,173,565	\$ 4,738,241	\$ 4,886,175	\$ (147,934)
Alternative Payment - Stage 3		C3AP-0067	1,525,681	1,051,130	1,358,895	(307,765)
Total program grants			<u>\$ 6,699,246</u>	<u>\$ 5,789,371</u>	<u>\$ 6,245,070</u>	<u>\$ (455,699)</u>

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Notes to Financial Statements, Continued
For the year ended June 30, 2011

5. PARENT FEES

Parent fees represent the portion of childcare expenses that are to be paid by parents who do not qualify for the full subsidy. The parents pay the childcare provider directly for their portion of the childcare expenses. The County adjusts the fee amount from the provider's payment amount.

6. RENT

The Alternative Payment Child Development Programs are housed in County buildings. Rent is charged to the Community Services Agency on the basis of square footage utilized and then allocated to Programs through the Statewide Cost Plan for County Welfare departments, County Expense Claim (CEC).

7. COST ALLOCATION OF EXPENSES

The County accumulates shared costs such as overhead, utilities, and administrative salaries in a cost pool and allocates these costs quarterly to each program based on time study hours through the County Expense Claim.

8. CONTINGENCIES

The Programs receive state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowed expenditures under terms of the grants, it is believed that any repayments resulting from disallowances will not be material.

9. SELF-INSURANCE

The County has a risk management program with respect to workers' compensation, general and professional liability, unemployment, vision and dental care. Under its existing workers' compensation insurance plan, the County is responsible for \$500,000 per occurrence, with a commercial insurance company providing certain liability coverage up to \$5,000,000. The general liability insurance covers property damage, personal injury, auto, and public officials' errors and omissions. General liability, auto, and public officials' errors and omissions are the County's responsibility for up to \$250,000 per occurrence with the excess insured by CSAC Excess Insurance Authority for up to \$25,000,000. Property damage is insured by a commercial carrier for \$584,896,996 with a \$10,000 deductible. The Programs are part of the County self-insurance programs for unemployment, vision care, and dental care. The Programs reimburse the County for this coverage through an allocation of overhead expense and do not believe there is any additional exposure that needs to be accrued.

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Notes to Financial Statements, Continued
For the year ended June 30, 2011

10. RESTRICTION ON INTERFUNDING BORROWINGS

The State of California Department of Education prohibits inter-fund borrowings of any revenues received through a State of California contract to programs funded by other sources.

11. FUNDING OF DEFICITS

The General Fund of the County of Stanislaus is responsible for offsetting deficits, should any result in a future period, from revenues inadequate to cover expenditures in the Programs. There were no contributions from the County during the current year.

12. SUBSEQUENT EVENTS

The Programs' management has evaluated all events and transactions that occurred after June 30, 2011, and through November 8, 2011, the date the financial statements and accompanying notes to financial statements were available to be issued. During this period, no events or transactions occurred that would require adjustment of the financial statements or disclosure in the accompanying notes.

SUPPLEMENTAL INFORMATION
(as required by the State of California)

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Schedule of Expenditures by State Category
Fiscal year ended June 30, 2011

		Stage 2		
		Alternative Payment		
		Federal	State	Total
		Grant	Grant	
Classified salaries				
2200	Administrator's salaries	\$ -	\$ 71,307	\$ 71,307
2300	Clerical and other office salaries	-	207,373	207,373
2900	Other classified salaries	-	247,702	247,702
2000	Total classified salaries	-	526,382	526,382
Employee benefits				
3300	Social security	-	38,739	38,739
3400	Health and welfare benefits	-	140,007	140,007
3500	State unemployment benefits	-	3,389	3,389
3600	Worker's compensation insurance	-	1,585	1,585
3900	Other benefits	-	76,661	76,661
3000	Total employee benefits	-	260,381	260,381
Books and supplies				
4300	Instructional materials and supplies	-	-	-
4400	Non-capitalized equipment and furniture	-	-	-
4500	Other supplies	-	-	-
4000	Total books and supplies	-	-	-
Services and other operating expenditures				
5100	Direct provider payments	-	3,876,639	3,876,639
5100	Personal services of instructional consultants, lecturers, and others	-	192	192
5200	Travel and conferences	-	5,427	5,427
5300	Dues and memberships	-	699	699
5400	Insurance	-	4,750	4,750
5500	Utilities and housekeeping services	-	22,010	22,010
5600	Rentals, leases, repairs, and non-capitalized improvements	-	22,687	22,687
5700	Audit fees	-	16,990	16,990
5800	Other services and operating expenditures	-	63,688	63,688
5000	Total services and other operating expenditures	-	4,013,082	4,013,082
Total net reimbursable expenditures		\$ -	\$ 4,799,845	\$ 4,799,845

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Schedule of Expenditures by State Category
Fiscal year ended June 30, 2011

		Stage 3		
		Alternative Payment		
		Federal	State	
		Grant	Grant	Total
Classified salaries				
2200	Administrator's salaries	\$ 9,437	\$ 3,360	\$ 12,797
2300	Clerical and other office salaries	28,513	10,151	38,664
2900	Other classified salaries	33,466	11,914	45,380
2000	Total salaries	71,416	25,425	96,841
Employee benefits				
3300	Social security	5,281	1,880	7,161
3400	Health and welfare benefits	18,187	6,474	24,661
3500	State unemployment benefits	451	161	612
3600	Worker's compensation insurance	211	77	288
3900	Other benefits	10,390	3,699	14,089
3000	Total employee benefits	34,520	12,291	46,811
Books and supplies				
4300	Instructional materials and supplies	-	-	-
4400	Non-capitalized equipment and furniture	-	-	-
4500	Other supplies	-	-	-
4000	Total books and supplies	-	-	-
Services and other operating expenditures				
5100	Direct provider payments	693,155	246,765	939,920
5100	Personal services of instructional consultants, lecturers, and others	23	9	32
5200	Travel and conferences	734	261	995
5300	Dues and memberships	92	33	125
5400	Insurance	547	195	742
5500	Utilities and housekeeping services	3,014	1,073	4,087
5600	Rentals, leases, repairs, and non-capitalized improvements	3,172	1,129	4,301
5700	Audit fees	3,695	1,315	5,010
5800	Other services and operating expenditures	8,820	3,140	11,960
5000	Total services and other operating expenditures	713,252	253,920	967,172
Total net reimbursable expenditures		\$ 819,188	\$ 291,636	\$ 1,110,824

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of Stanislaus Vendor No. 2250

Fiscal Year End: 30-Jun-11 Contract No. C2AP - 0069

Independent Auditor's Name: Caporicci & Larson, Inc. (A SUBSIDIARY OF MARCUM LLP)

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$0	\$0	\$0
Restricted income for operating costs	306	0	0	0
Cal Learn Program	308	0	0	0
Maintenance of Effort	339	0	0	0
Other:	312	0	0	0
SUBTOTAL	311	0	0	0
TRANSFER FROM RESERVE FUND	310	0	0	0
FAMILY FEES FOR CERTIFIED CHILDREN	329	61,604	0	61,604
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	0	0	0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356	0	0	0
Other:	362	0	0	0
TOTAL REVENUE	390	\$61,604	\$0	\$61,604

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	\$3,876,639	\$0	\$3,876,639
1000 Certificated Salaries	402	0	0	0
2000 Classified Salaries	404	526,382	0	526,382
3000 Employee Benefits	406	260,381	0	260,381
4000 Books and Supplies	408	0	0	0
5000 Services and Other Operating Expenses	412	136,443	0	136,443
6100/6200 Other Approved Capital Outlay	413	0	0	0
6400 New Equipment (<i>program-related</i>)	414	0	0	0
6500 Equipment Replacement (<i>program-related</i>)	416	0	0	0
Depreciation or Use Allowance	439	0	0	0
Start-Up Expenses (service level exemption)	447	0	0	0
Indirect Costs -- Rate: 0.00%	459	0	0	0
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479	0	0	0
Other:	489	0	0	0
TOTAL EXPENSES	490	\$4,799,845	\$0	\$4,799,845
TOTAL ADMINISTRATIVE COST (<i>included above</i>)	690	\$83,235	\$0	\$83,235
DAYS OF OPERATION	169	241	0	241

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

Line 5000 Includes \$16,990 Accrual for Audit Fees.

**AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs**

Agency Name: County of Stanislaus Vendor No. 2250

Fiscal Year End: 30-Jun-11 Contract No. C3AP - 0067

Independent Auditor's Name: Caporicci & Larson, Inc. (A SUBSIDIARY OF MARCUM LLP)

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$0	\$0	\$0
Restricted income for operating costs	306	0	0	0
Cal Learn Program	308	0	0	0
Maintenance of Effort	339	0	0	0
Other:	312	0	0	0
SUBTOTAL	311	0	0	0
TRANSFER FROM RESERVE FUND	310	0	0	0
FAMILY FEES FOR CERTIFIED CHILDREN	329	59,694	0	59,694
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	0	0	0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356	0	0	0
Other:	362	0	0	0
TOTAL REVENUE	390	\$59,694	\$0	\$59,694

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	\$939,920	\$0	\$939,920
1000 Certificated Salaries	402	0	0	0
2000 Classified Salaries	404	96,841	0	96,841
3000 Employee Benefits	406	46,811	0	46,811
4000 Books and Supplies	408	0	0	0
5000 Services and Other Operating Expenses	412	27,252	0	27,252
6100/6200 Other Approved Capital Outlay	413	0	0	0
6400 New Equipment (program-related)	414	0	0	0
6500 Equipment Replacement (program-related)	416	0	0	0
Depreciation or Use Allowance	439	0	0	0
Start-Up Expenses (service level exemption)	447	0	0	0
Indirect Costs -- Rate: 0.00%	459	0	0	0
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479	0		0
Other:	489	0		0
TOTAL EXPENSES	490	\$1,110,824	\$0	\$1,110,824
TOTAL ADMINISTRATIVE COST (included above)	690	\$17,235	\$0	\$17,235
DAYS OF OPERATION	169	241		241

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

Line 5000 Includes \$5,010 Accrual for Audit Fees.

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Combining Schedule of Administrative Costs
For the year ended June 30, 2011

	Alternative Payment		
	C2AP	C3AP	Total
Salaries	\$ 39,621	\$ 7,305	\$ 46,926
Employee benefits	19,577	3,609	23,186
Personal services of instructional consultants, lecturers, and others	12	2	14
Travel and conferences	320	58	378
Dues and memberships	41	7	48
Insurance	280	44	324
Utilities and housekeeping services	1,298	241	1,539
Contracts, rents and leases	1,338	254	1,592
Other services and operating expenditures	3,758	705	4,463
Audit expense	16,990	5,010	22,000
Total Reimbursable Expenditures	\$ 83,235	\$ 17,235	\$ 100,470

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Schedule of Equipment Expenditures Utilizing Contract Funds
For the year ended June 30, 2011

Expenditures Under \$7,500 Unit Cost		Expenditures Over \$7,500 Unit Cost With CDD Approval		Expenditures Over \$7,500 Unit Cost Without CDD Approval	
Cost	Item	Cost	Item	Cost	Item
	None		None		None

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Schedule of Renovation and Repair Expenditures Utilizing Contract Funds
For the year ended June 30, 2011

Expenditures Under \$10,000 Unit Cost		Expenditures Over \$10,000 Unit Cost With CDD Approval		Expenditures Over \$10,000 Unit Cost Without CDD Approval	
Cost	Item	Cost	Item	Cost	Item
	No renovation and repair expenditures using contract funds		No renovation and repair expenditures using contract funds		No renovation and repair expenditures using contract funds



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE (INCLUDING THOSE CONTAINED IN THE *CDE AUDIT GUIDE*
ISSUED BY THE STATE OF CALIFORNIA DEPARTMENT OF EDUCATION)
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the County of Stanislaus Board of Supervisors
Modesto, California

We have audited the financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs"), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Programs' internal control over financial reporting as a basis for designing our auditing procedures 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 Programs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Programs' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the County of Stanislaus Board of Supervisors
Modesto, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Programs' financial statements are free of 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. Such provisions include those provisions of laws and regulations identified in the *CDE Audit Guide*, issued by the State of California Department of Education. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and *CDE Audit Guide*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

The Programs' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Programs' response and, accordingly, we express no opinion on it.

This report is intended for the information of the County of Stanislaus Board of Supervisors, Community Services Agency management, and the State of California Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
November 8, 2011

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Findings and Questioned Costs - Current Year
For the year ended June 30, 2011

2011-1 *Cost Allocation - Alternative Payment Program Stage 2, Contract No. C2AP - 0069*

Criteria

Time studies used by the Program to allocate indirect costs to each program need to be supported by the time cards filled out by each employee.

Condition

When reviewing and testing the time studies for the quarter of September 2010, we noted that 35.25 hours of an employee were miscoded to the Stage 2 program, instead of stage 1 program. As a result, the costs allocated to the Stage 2 program have been overstated.

Questioned Costs

Known questioned cost for the quarter ended September 2010 were \$5,103. Based on an error rate of 2.4%, extrapolated questioned costs were estimated to be \$9,948 for Stage 2 program for fiscal year 2011.

Effect and Context

Wages and benefits of Stage 2 Program have been overstated due to the incorrect Program Ratio derived from time studies.

Cause

It appears to be a data entry error: one employee's hours have been miscoded to Stage 2 Program.

Recommendation:

We recommend that the Program implement review procedures to ensure the hours on the time cards are properly coded to each program.

Management Response:

The Community Services Agency currently employs a number of internal controls in support of the time card/time study process linked to the California Department of Social Services County Expense Claim. Current procedures are sufficient to provide reasonable assurance that reporting is accurate, as demonstrated in this and other audit history. Management finds this incident to be a unique and immaterial error.

However, in order to improve further upon our internal control procedures to ensure that hours on the time cards are properly coded and keyed to each program, one quarter during the contract year, a 100% time study review will be performed. This additional review recognizes the uniqueness of the child care programs as funded through the California Department of Education and demonstrates the Community Services Agency commitment to accounting accuracy in this contract and all other Community Services Agency programs.

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Findings and Questioned Costs - Prior Year
For the year ended June 30, 2011

2010-1 *Family Fees - Alternative Payment Program Stage 2, Contract No. C2AP - 9071*

Criteria

Gross wages instead of net wages should be used for the family fee calculations.

Condition

When reviewing the family fee calculations, we noted that for one out of sixty children cases examined, the family fee was calculated based on the net wages (including reimbursable expenditures) rather than gross wages.

Questioned Costs

No questioned costs were noted.

Effect and Context

A higher family fee was assessed for that child . The error rate per sample was 1.7%.

Cause

It appears to be an error made by the caseworkers.

Recommendation:

We recommend that the Child Development Programs strengthen the review process to ensure that the family fees are correctly calculated.

Management Response:

Staff reviewed the case and there was an error in calculating the family fee. The error was clerical in nature and not procedural or regulatory related. A second audit of the family fee calculation is being performed through a mini review process prior to case and payment approval.

Status:

No exception was noted in FY10/11.

County of Stanislaus
Community Services Agency Program Services and Support Fund
Child Development Programs
Findings and Questioned Costs - Prior Year
For the year ended June 30, 2011

2010-2 *Income Eligibility - Alternative Payment Program Stage 2, Contract No. C2AP - 9071*

Criteria

Adequate and complete income documentation needs to be obtained and filed for certified children.

Condition

We noted three participants files, out of 60 files selected, did not have income supporting documentation in file or the supporting documentation is not complete.

Questioned Costs

No questioned costs were noted.

Effect and Context

No adequate income document to support the income eligibility. The error rate per sample was 5%.

Cause

The caseworkers did not follow the certification procedures consistently.

Recommendation:

We recommend that the Child Development Programs strengthen the review process to ensure that income eligibility supporting documentation is obtained and kept for all program participants.

Management Response:

Staff reviewed the cases and there was missing documentation. A process of mini reviews and spot checking cases for proper documentation is being performed.

Status:

No exception was noted in FY10/11.