

COMMUNITY SERVICES AGENCY

Kathryn M. Harwell
Director

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

Phone: 209.558.2500 Fax: 209.558.2558



BOARD OF SUPERVISORS

2014 NOV 20 P 1:05

November 19, 2014

To the County of Stanislaus Board of Supervisors
Modesto, California

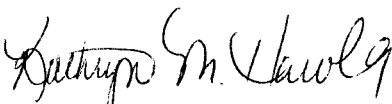
In accordance with a California Department of Education (CDE) requirement that the Community Services Agency (CSA) submit an annual audit of the Child Care and Development Alternate Payment programs Stage 2 and Stage 3 Contracts, Brown Armstrong Accountancy Corporation completed our audit on November 6, 2014. The Fiscal Year 2013-2014 audit report is attached for your review and records.

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 Supervisors.

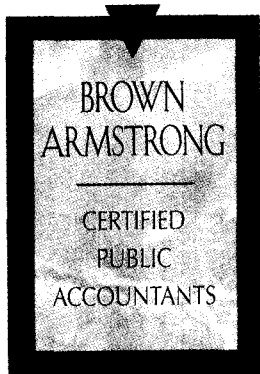
The Auditors' report states that the Child Care Fiscal Year 2013-2014 financial statements "present fairly, in all material respects, the respective financial position of the Programs, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America." Additionally, their assessment of our internal controls related to financial reporting "disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*."

The audited Financial Statements totaled \$4,963,726 with no findings or observations. In their testing of the Program's compliance with provisions of law, regulations, contracts, and grant agreements, the Auditors found no instances of noncompliance or other matters of concern.

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.


Kathryn M. Harwell
Director





BROWN ARMSTRONG

Certified Public Accountants

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) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 24, 2014. Professional standards also require that we communicate to you the following information related to our audit.

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

7673 N. INGRAM AVENUE

SUITE 101
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

206 S. LOS ROBLES AVENUE

SUITE 326
PASADENA, CALIFORNIA 91101
TEL 626.204.6542
FAX 626.204.6547

5250 CLAREMONT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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 Programs are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Programs adopted Governmental Accounting Standards Board (GASB) Statements No. 65, *Items Previously Reported as Assets and Liabilities*, No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* during fiscal year 2014. We noted no transactions entered into by the Programs during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the Programs' financial statements taken as a whole.



Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2014.

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 Programs' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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 Matters

With respect to this supplementary information, 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.

Restriction on Use

This information is intended solely for the use of the County Board of Supervisors and management of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Programs and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 6, 2014

**COUNTY OF STANISLAUS
COMMUNITY SERVICES AGENCY
PROGRAM SERVICES AND SUPPORT FUND
CHILD DEVELOPMENT PROGRAMS**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2014**

**COUNTY OF STANISLAUS
COMMUNITY SERVICES AGENCY
PROGRAM SERVICES AND SUPPORT FUND
CHILD DEVELOPMENT PROGRAMS**

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**COUNTY OF STANISLAUS
COMMUNITY SERVICES AGENCY
PROGRAM SERVICES AND SUPPORT FUND
CHILD DEVELOPMENT PROGRAMS
GENERAL INFORMATION
JUNE 30, 2014**

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 – 3065 CCDF Alternative Payment, Stage 2 CalWORKS
C3AP – 3063 CCDF Alternative Payment, Stage 3 CalWORKS

Type of Agency

Public Agency

Agency Director

Kathryn Harwell

Grant Period

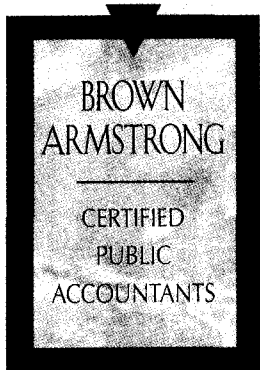
July 1, 2013 to June 30, 2014

Days of Operation

247

Hours of Operation

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



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S 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, 2014, and the related notes to the financial statements, which collectively comprise the Programs' 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 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 Programs' 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 Programs' 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.

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5250 CLAREMONT 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 Programs, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2014, the Programs implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and respective budgetary schedule, as listed in the table of contents, 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 Programs' basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not required as part of the basic financial statements.

The accompanying supplemental information 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 and *CDE Audit Guide* issued by the California Department of Education. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the Programs' 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 Programs' internal control over financial reporting and compliance.

Bakersfield, California
November 6, 2014

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Stanislaus County Community Services Agency's Child Development Programs, Stage 2 and 3, provides an overview of the Programs' financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Programs' financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The Programs as a whole had expenditures of \$4,963,726, an increase of \$342,782, or 7.4%, over last year.
- Expenditures for Stage 2 Child Care decreased from the previous fiscal period by \$96,638, or 2.5%, with totals for this fiscal year at \$3,709,038.
- The Stage 3 Child Care program expended \$1,254,688, an increase of 53.9%, or \$439,420, over last fiscal year total. Stage 3 has continued to show positive growth, reflecting a multi-year upward trend.
- Both Programs exceeded final budget projections published at Midyear, propelled by additional funding made available through the California Department of Education (CDE). Final fiscal year appropriations increased substantially from those originally budgeted at the beginning of the year, with Stage 2 expanding from \$3,563,653 to \$3,847,509 (an increase of \$283,856 or 8.0%) and Stage 3 swelling from \$1,034,856 to \$1,295,364 (an increase of \$260,508 or 25.2%). Augmentations are distributed based on funding needs and contract utilization.
- Stage 2 maximized contract funds, utilizing 94.9% of available appropriations.
- The Stage 3 program utilized 91.4% of contracted funds, having received an additional \$90,000 augmentation from the CDE in June 2014.
- The Programs maintained administrative costs within the 17.5% allowable limit, with Stage 2 expending 16.7% and Stage 3 expending only 14.4% of costs towards administrative activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Net Activities (adapted for comparison on pages 4 and 5, respectively) provide information about the Programs, individually and in totality, in comparison to last year's activities. A Budget Analysis report is included to assess the changing needs of the Programs over the fiscal period and reflect Program growth. Additional charts are enclosed for clarification and analytical purposes.

The Statement of Net Position and the Statement of Net Activities

The Statement of Net Position and the Statement of Net Activities report information about the Programs as a whole and the stages individually. These statements include all assets and liabilities, revenues and expenditures, respectively, using the accrual basis of accounting. Both reports are adaptations of the presented financial statements of the same name, provided in a way to compare this fiscal year's totals to those reflected in last year's financial statements.

The Statement of Net Position reflects balances as of June 30, 2014. Assets are categorized as either restricted cash, designated specifically for that Child Care Program, or grants receivable from the CDE. Liabilities include accounts payable for provider payments incurred in July and August for June services and any amount due to the CDE as the result of advances for Federal and/or State funds in excess of fiscal year expenditures.

The Programs' net position is zero and we do not maintain a fund balance for these programs. Child Development Programs are 100% Federal and State funded and do not register positive or negative net position. Below is a comparison table (Table 1) of assets and liabilities for Stage 2 and Stage 3, as well as a look at the combined total of assets and liabilities for the Programs as a whole.

Table 1**Statement of Net Position**

	Stage 2 -C2AP		Stage 3 - C3AP		Stage 2 and 3 Total	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Restricted Cash	\$ 340,423	\$ 337,832	\$ 80,987	\$ 34,923	\$ 421,410	\$ 372,755
Grants Receivable	69,159	20,070	81,844	55,555	151,003	75,625
Total Assets	409,582	357,902	162,831	90,478	572,413	448,380
Accounts Payable	409,582	357,902	136,787	83,829	546,369	441,731
Due to CDE	-	-	26,044	6,649	26,044	6,649
Total Liabilities	\$ 409,582	\$ 357,902	\$ 162,831	\$ 90,478	\$ 572,413	\$ 448,380
Net Position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Assets are dependent upon advances received from the CDE by the close of the fiscal year and any grants receivable needed to cover final expenditures. Both Programs show an increase in assets over last year, with a combined total increase of \$124,033 over last year. This directly correlates to the increase in accounts payable over last year. Accounts payable represents July and August provider payments for service in the prior fiscal period along with payables for annual audit expenses. Total audit expenses have not increased from last year, meaning that the total increase to Accounts Payable reflects an increase in provider payments of \$104,638, a 23.7% rise over last year.

Governmental Activities

Revenues for the Programs have increased by \$342,782, or 7.4%, over those accumulated last year. This reflects the overall growth of the Programs and explains the increase in total appropriations of \$517,434 provided by the CDE. Expenditures increased equally, with the largest spike seen in Provider Payments. Table 2 (on page 5) presents the current fiscal year Statement of Net Activities in comparison to last year figures.

Individually, Stage 2 realized a small 2.5% decrease in revenues this year, down by \$96,638 for a revenue total of \$3,709,038. Alternately, Stage 3 realized an impressive 53.9% increase over last year's revenues, a gain of \$439,420 for a total \$1,254,688. A portion of the decrease to Stage 2 and the increase in Stage 3 can be attributed to program changes implemented in December 2010.

In December 2010, counties began disenrolling families in conjunction with the cessation of the CalWORKs Stage 3 program. When Stage 3 was reinstated in January 2011, families began the process of reenrollment through Stages 1 and 2 in an extended wave. Families traditionally time out of Stage 2 and enter Stage 3 after 24 months. We currently find ourselves with a significant increase in Stage 3 cases and a slight decline in Stage 2 as those families impacted by the Program changes from 2011 have filtered through Stages 1 and 2 and into Stage 3. It would be difficult to quantify the exact population affected, but it is reasonable to ascertain that the total growth of the Programs is an indicator that both programs are healthy and maintaining moderate growth despite individual shifts.

Table 2

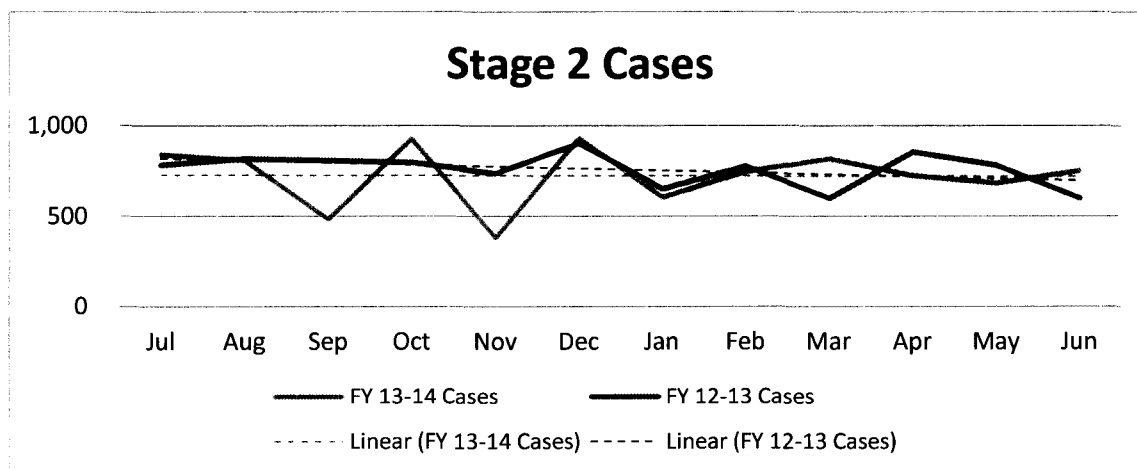
Statement of Net Activities

	Stage 2 - C2AP		Stage 3 - C3AP		Stage 2 and 3 Total	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Government Apportionments	\$ 3,650,850	\$ 3,723,062	\$ 1,184,425	\$ 767,473	\$ 4,835,275	\$ 4,490,535
Parent Fees	58,188	82,614	70,263	47,795	128,451	130,409
Total Revenues	\$ 3,709,038	\$ 3,805,676	\$ 1,254,688	\$ 815,268	\$ 4,963,726	\$ 4,620,944
Salaries	333,042	388,746	96,683	71,370	429,725	460,116
Employee Benefits	188,772	203,761	54,642	37,292	243,414	241,053
Provider Payments	3,087,660	3,109,509	1,073,533	686,470	4,161,193	3,795,979
Other Operating Expenditures	99,564	103,660	29,830	20,136	129,394	123,796
Total Expenditures	\$ 3,709,038	\$ 3,805,676	\$ 1,254,688	\$ 815,268	\$ 4,963,726	\$ 4,620,944
Net Position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

A supplemental evaluation of the effects of program changes on Stage 2 performance is a review of caseload counts. Caseload analysis looks at counts provided in our monthly Child Care Stan 88 reports. These counts are posted using cash basis accounting and will not line up exactly with monthly claimed counts, but they still provide a good comparison from year to year of documented program growth. Chart 1 reflects the monthly caseload count for Stage 2, with the current fiscal year in blue and the prior fiscal year identified in red. Trend lines for both years are included for ease of assessment.

Chart 1

Caseload Analysis – Stage 2



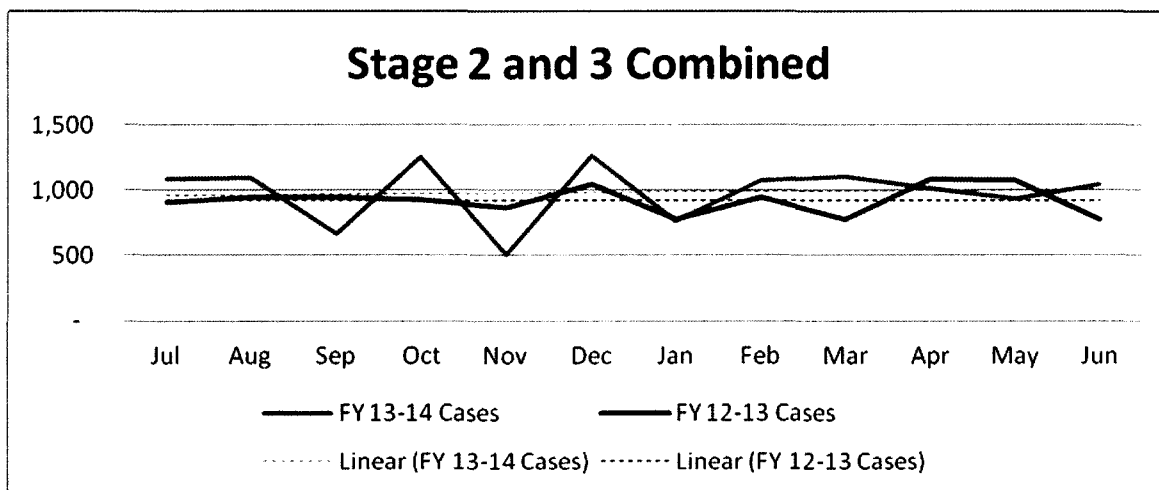
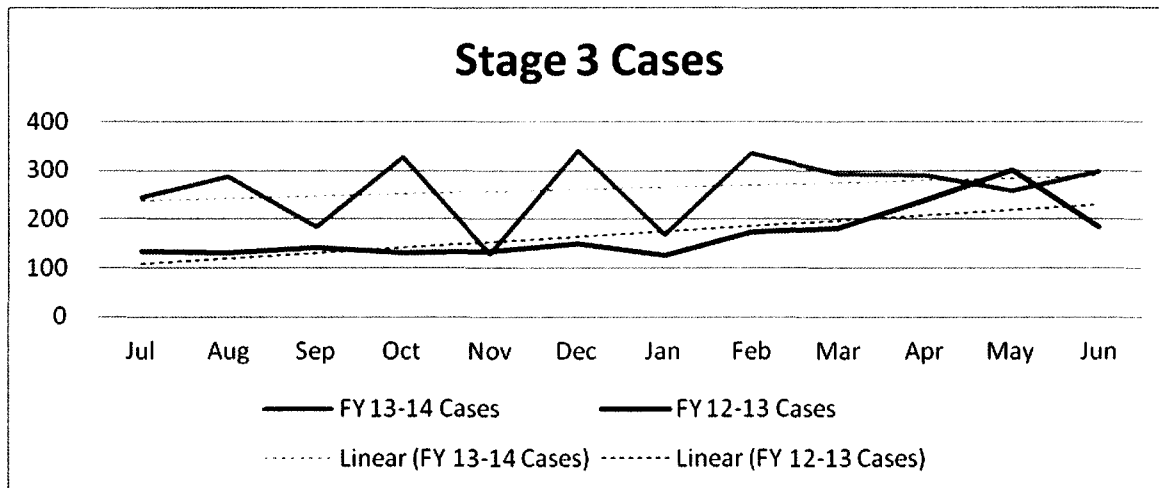
Stage 2 average caseload figures have dropped by a mere 34 cases over last year averages. This is more easily understood in viewing the trend lines in Chart 1. The blue trend line, representing the current fiscal year, starts slightly lower than last year and steadily and gradually increases throughout the year. Around April, the blue line crosses over last year's trends and finishes with a slight edge over last year. This rebound at year-end falls in line with the explanation of Program activities above and leads us to believe that we will see moderate growth in the coming fiscal period.

Chart 2 provides the caseload analysis for Stage 3 and the Programs as a whole. The dramatic growth realized by Stage 3 is clearly evident in that portion of the chart.

Additionally, the Stage 2 and 3 Combined line chart reflects a moderate growth pattern that we estimate will continue into the new fiscal year.

Chart 2

Caseload Analysis – Stage 3 and Programs as a Whole



The Fiscal Year 2014-2015 State Budget posted slight increases to Stage 2 and Stage 3 funding levels. Based on our current trends, we project continued modest growth over the next fiscal year. It is fully expected that the CDE will be able to provide the necessary appropriations to accommodate such growth and that the Programs will continue to provide our customers with the subsidized child care benefits they need to be active members of our working community.

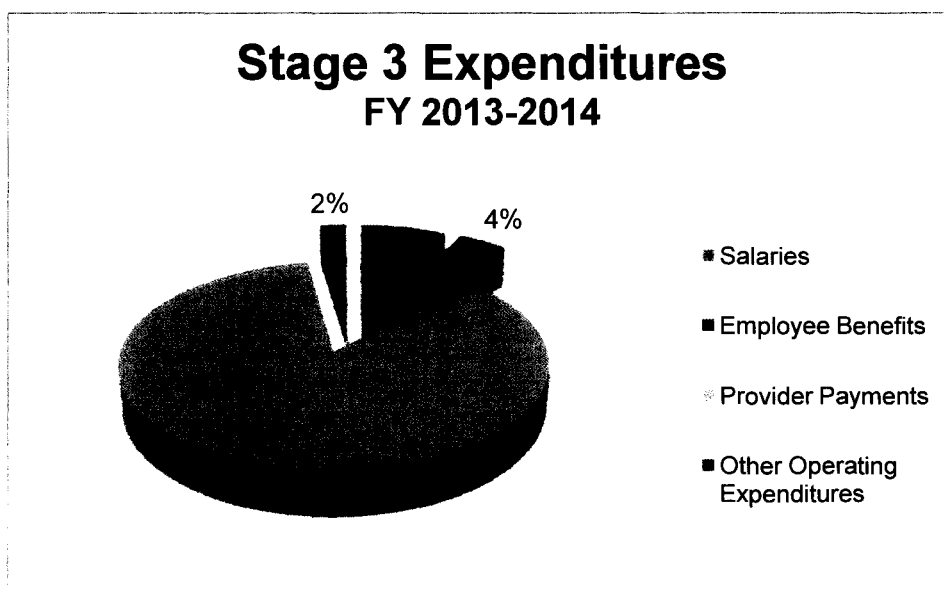
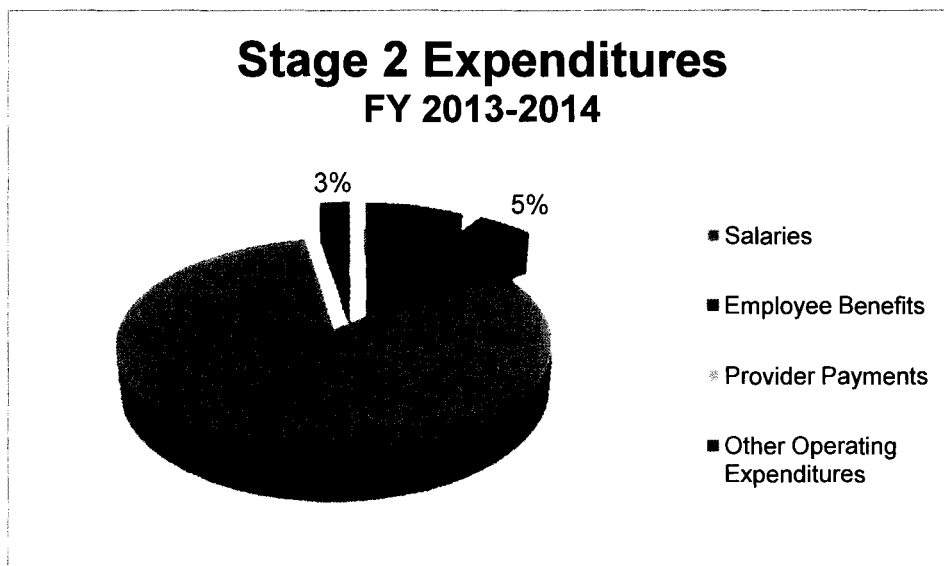
Looking at the costs for each program, expenditures decreased in Stage 2 and increased in Stage 3, in line with correlating revenues. The Child Development Programs are provider payment driven, meaning that provider payments have a huge impact on total expenditures and equivalent revenues from the CDE. Provider payments represent at least 82.5% of expenditures for each program.

Stage 2 provider payments decreased by \$21,849, only 0.7% below prior year's payment level. Stage 3 provider payments increased by 56.4%, or \$387,063 over last year.

Each program is held to an administrative expenditure ceiling of 17.5% of initial contracted funds or total costs realized. Administrative costs are closely monitored throughout the year for compliance. Chart 3 provides a supplemental view of expenditures and whether administrative costs fall within the administrative cap.

Chart 3

Expenditures Analysis



Stage 2 completed the year expending 16.7% of total expenditures to administrative costs (17.4% of initial contracted amount). Stage 3 expended only 14.4% of total expenditures on administrative activities (17.1% of initial contracted total). Additionally, CDE reimburses total expenditures up to the final contracted Maximum Reimbursable Amount (MRA) set forth in each Program's fiscal year contract.

The MRA for Stage 2 is \$3,847,509 and total year-end expenditures amounted to \$3,709,038. Stage 3 expended \$1,254,688, well within its MRA of \$1,295,364.

Budget Analysis

Our Final Budget is prepared early each year prior to the receipt of our fully executed contracts from the CDE. This creates the need for estimations of what our fiscal year contracts will be and any necessary adjustments are made in subsequent budget cycles. Additionally, the CDE often issues amendments to the initial contract based on the results of the State Budget. Amendments to our contracts are also supplementing the Programs throughout the year based on funding needs and may be executed outside of regular budget submittals. Table 3 compares key budgets, Final Budget and Midyear Budget, against total Actual revenues and expenditures for Stage 2; Table 4 provides the same analysis for Stage 3.

Table 3**FY 2013-2014 Budget Analysis for Stage 2**

Stage 2 - C2AP-3065	Budgeted Amounts			Compared to Final
	Original (Final Budget)	Final (Midyear Budget)	Actual	
Revenues:				
Grant Funds	\$ 4,440,544	\$ 3,563,653	\$ 3,581,691	\$ 18,038
Total Revenues	4,440,544	3,563,653	3,581,691	18,038
Expenditures:				
Casework	406,097	344,670	277,980	(66,690)
Support	593,677	459,478	342,546	(116,932)
Direct Payments	3,436,985	2,755,861	3,029,473	273,612
Staff Development	3,785	3,644	851	(2,793)
Total Expenditures	4,440,544	3,563,653	3,650,850	87,197
Excess revenues over/(under) expenditures	\$ -	\$ -	\$ (69,159)	\$ (69,159)
Contract Totals			3,847,509	
Amount due from/(to) CDE			\$ 69,159	

Stage 2 shows revenue receipts of \$3,581,691, \$18,038 over final budgeted revenues posted in the Midyear budget. With the exception of provider payments, expenditures came in under budget. Provider payments exceeded budget levels by \$273,612 and pushed total expenditures to \$3,650,850, \$87,197 over budget. However, total expenditures are well within the Stage 2 contracted MRA of \$3,847,509. Projected additional revenues due from the CDE total \$69,159 for this Program.

Table 4**FY 2013-2014 Budget Analysis for Stage 3**

Stage 3 - C3AP-3063	Budgeted Amounts		Actual	Compared to Final
	Original (Final Budget)	Final (Midyear Budget)		
Revenues:				
Grant Funds	\$ 783,125	\$ 1,034,856	\$ 1,128,625	\$ 93,769
Total Revenues	783,125	1,034,856	1,128,625	93,769
Expenditures:				
Casework	36,366	66,258	81,463	15,205
Support	54,970	91,896	99,382	7,486
Direct Payments	691,439	875,973	1,003,270	127,297
Staff Development	350	729	310	(419)
Total Expenditures	783,125	1,034,856	1,184,425	149,569
Excess revenues over/(under) expenditures	\$ -	\$ -	\$ (55,800)	\$ (55,800)
Contract Totals			1,295,364	
Amount due from/(to) CDE			\$ 55,800	
Additional Funds Received after 6/30/14			\$ (8,379)	
Total Amount due from/(to) CDE			\$ 47,421	

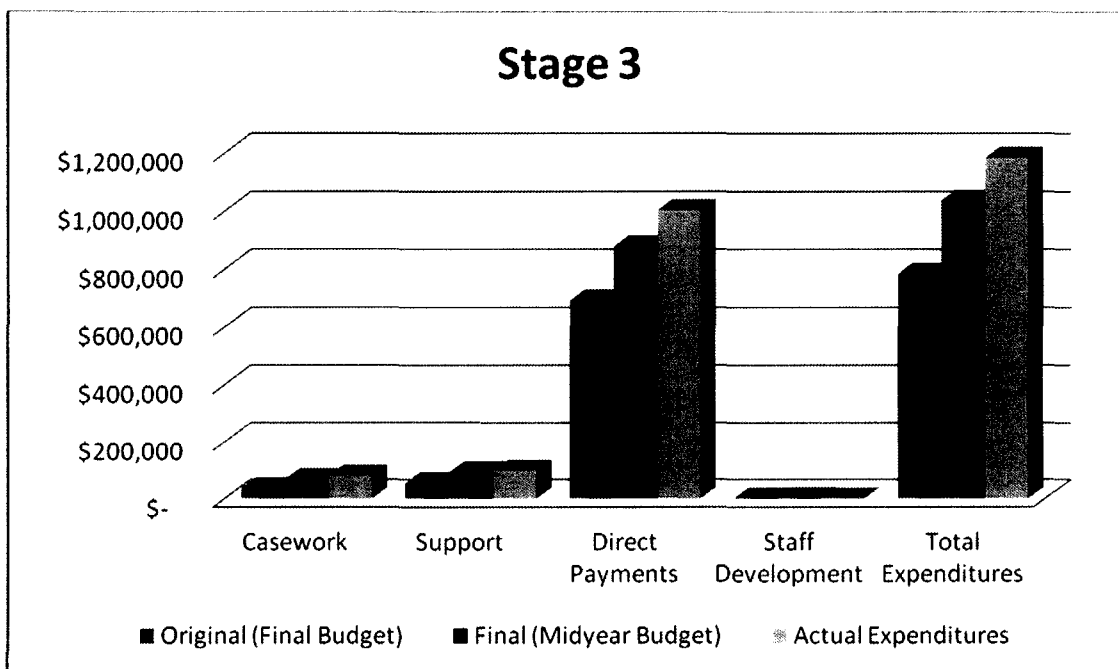
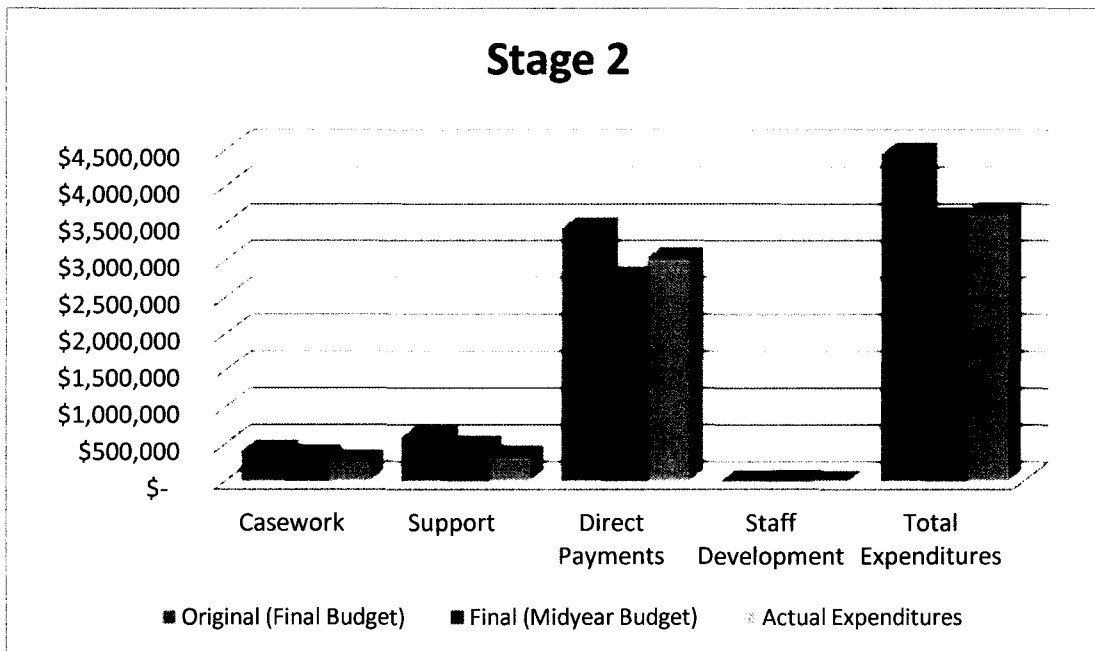
Revenue receipts for Stage 3 totaled \$1,128,625, \$93,769 over final Midyear Budget projections. Expenditures, with the exception of staff development, exceeded those same budget projections for a total overage of \$149,569. Final expenditure totals for Stage 3, amounting to \$1,184,425, are within our contracted MRA for this program. Future revenue receipts expected from the CDE total a net \$55,800. Additionally, an advance of \$8,379 was received for Stage 3 after June 30, 2014, effectively reducing Stage 3 receivables to \$47,421. The total net amount due from the CDE for both Programs is \$116,580.

Both Programs have received multiple amendments throughout the year, augmenting contracted funds above initial levels. These adjustments are common when Programs show continued growth and funding needs, provided that the CDE has funds available to distribute amongst the counties. The CDE is constantly monitoring counties for performance and contract utilization. Those counties underutilizing appropriations are asked to relinquish unused funds and the CDE then distributes the monies to counties in jeopardy of exceeding their MRAs.

The CDE generally starts Programs with conservatively estimated initial MRAs based on prior year third quarter spending levels and makes adjustments throughout the year by either increasing or decreasing appropriations as necessary. Our Programs have benefited from additional funding made available throughout this fiscal year and has been able to continue providing subsidized child care to our customers without risk of termination of benefits or having to resort to wait lists. Chart 4 (on page 10) compares actual expenditures to our Final (original) and Midyear budgetary projections and provides a visual accounting of the adjustments that occurred throughout the fiscal period.

Chart 4

Budget Analysis Bar Graphs



The Stage 2 original budget was based on expectations at third quarter in FY 2012-2013. However, prior to that fiscal year-end, the CDE had reduced contract levels for FY 2012-2013 and subsequently FY 2013-2014. Moderate growth throughout the year allowed for increased appropriations by year-end and for total expenditures to more closely resemble Midyear budgeted figures. The Stage 3 original budget was boosted almost immediately by an early augmentation initiated by the CDE and supplemented throughout the year with additional increases to appropriations so that total expenditures did not pose a threat to program funds despite surpassing budgeted projections.

Capital Asset and Debt Administration

Stanislaus County Child Development Programs do not maintain capital assets designated directly to the Programs. Expenditures related to the Community Services Agency facility, in which Child Care staff are housed, are processed through our County Expense Claim and allocated appropriately. Additionally, the Programs do not accumulate debt beyond payables for provider payments, audit fees, and amounts due to the CDE that are cleared annually as part of the fiscal year-end closing process.

Economic Factors and Next Year's Budgets

The Programs are fully Federal and State funded with no impact to County Share. Budgeting each year is greatly dependent upon the outcome of the State Budget for the fiscal year as well as analyzing caseload trends. The County looks at these State impacts, utilizing various agency reports, to assess the economic environment and plan for the Programs' needs. In a briefing prepared by Mac Taylor, a legislative analyst with the Legislative Analyst's Office (LAO) in Sacramento, he considered the proposed State Budget to be "a 'workload' budget" in that it does not include augmentations aside from estimated caseload levels (Taylor, March 4, 2014).

When the briefing was written back in March 2014, the Governor's Budget was in its proposed state and we were developing our Child Development Programs' budgets for FY 2014-2015. Countering estimates of reductions to caseloads in both programs, the State Budget assumed "an increase in the per-child costs of providing child care in these stages . . . primarily result[ing] from a larger portion of families opting for care in licensed child care centers rather than by license-exempt providers" (Taylor, March 4, 2014). Based on these assumptions, the Child Care portion of the State Budget showed slight net increases to Stage 2 and Stage 3 programs, \$6 million and \$3 million, respectively.

A memo produced by the County Welfare Directors Association of California (CWDA) noted subsequent small adjustments to the State Budget due to the May Revision. Reductions were made to Stage 2 due to estimated caseload decline and there was a boost to Stage 3 to account for "a small increase in the projected caseload and cost-per-case" (Staff, May 13, 2014). These changes were relatively small and did not have marked effects on State Budget levels for Child Care funding needs.

At the County level, Stage 2 has experienced slight declines in caseload. Alternately, Stage 3 has shown only positive growth over the past several years. Even so, the caseload has not yet returned to the level experienced before Stage 3 was ceased in 2010. The first six months of FY 2010-2011 reported an average caseload of 403 children, whereas FY 2013-2014 registered an average caseload of 263 children. County projections mimic those at the State level, suggesting that "a large number of families will reach the end of their Stage 2 eligibility and transition to Stage 3 in the budget year" (Taylor, March 4, 2014). Stage 3 has experienced this growth in FY 2013-2014 and we anticipate continued growth to this program due to Stage 2 timing out transitions.

Stanislaus County presented its completed FY 2014-2015 Final Budget to the Board of Supervisors (BOS) on September 16, 2014. The approved budget provides appropriations of \$3,847,509 for its Stage 2 Child Care program and \$1,295,364 for its Stage 3 Child Care program. These budgeted figures tie closely to initial contracted MRAs for FY 2014-2015, with the CDE providing funding at \$3,752,760 for Stage 2 and \$1,292,897 for Stage 3.

FINANCIAL STATEMENTS

**COUNTY OF STANISLAUS
COMMUNITY SERVICES AGENCY
PROGRAM SERVICES AND SUPPORT FUND
CHILD DEVELOPMENT PROGRAMS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Restricted cash	\$ 421,410
Grants receivable	<u>151,003</u>
Total assets	<u><u>\$ 572,413</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 546,369
Due to the California Department of Education (CDE)	<u>26,044</u>
Total liabilities	572,413
NET POSITION	<u><u>\$ -</u></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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Expenses and Changes in Net Position of Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs				
Governmental activities -				
General government	<u>\$ 4,963,726</u>	<u>\$ 128,451</u>	<u>\$ 4,835,275</u>	<u>\$ -</u>
Total	<u><u>\$ 4,963,726</u></u>	<u><u>\$ 128,451</u></u>	<u><u>\$ 4,835,275</u></u>	<u><u>-</u></u>
		Change in net position		<u>-</u>
		Net position - beginning		<u>-</u>
		Net position - ending		<u><u>\$ -</u></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
BALANCE SHEET
JUNE 30, 2014**

	Stage 2 C2AP 100% State	Alternative Payment Programs		Total Stage 3	Stage 2 and 3 Total
		66% Federal	Stage 3 C3AP 34% State		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Restricted cash	\$ 340,423	\$ 36,571	\$ 44,416	\$ 80,987	\$ 421,410
Grants receivable	69,159	81,844	-	81,844	151,003
Total assets	\$ 409,582	\$ 118,415	\$ 44,416	\$ 162,831	\$ 572,413
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 409,582	\$ 118,415	\$ 18,372	\$ 136,787	\$ 546,369
Due to the CDE	-	-	26,044	26,044	26,044
Total liabilities	409,582	118,415	44,416	162,831	572,413
Fund balances	-	-	-	-	-
Total liabilities and fund balances	\$ 409,582	\$ 118,415	\$ 44,416	\$ 162,831	\$ 572,413

Reconciliation of the Balance Sheet to the Statement of Net Position

Total fund balance - governmental funds	\$ -
Differences	-
Net position - governmental activities	<u>\$ -</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 BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Alternative Payment Programs</u>		<u>Total</u>
	<u>Stage 2 C2AP</u>	<u>Stage 3 C3AP</u>	
REVENUES			
Government apportionment:			
Current year contracts	\$ 3,650,850	\$ 1,184,425	\$ 4,835,275
Parent fees	58,188	70,263	128,451
Total revenues	<u>3,709,038</u>	<u>1,254,688</u>	<u>4,963,726</u>
EXPENDITURES			
Salaries	333,042	96,683	429,725
Employee benefits	188,772	54,642	243,414
Provider payments	3,087,660	1,073,533	4,161,193
Other operating expenditures	99,564	29,830	129,394
Total expenditures	<u>3,709,038</u>	<u>1,254,688</u>	<u>4,963,726</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities			
Net change in fund balances - governmental funds			\$ -
Difference			<u>-</u>
Change in net position - governmental activities			<u>\$ -</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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 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 child care providers for eligible families that receive subsidized child care 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. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by federal and state grants and parent fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

C. 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 Child Care Programs 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 position.

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.

E. Reconciliation of Government-Wide and Fund Financial Statements

A reconciliation of the total fund balance for governmental funds to the total net position of governmental activities has been prepared as part of the basic financial statements. However, no differences were reported between total fund balance and total net position for the fiscal year ended June 30, 2014.

A reconciliation of the total net change in fund balances for governmental funds to the total changes in net position of governmental activities has been prepared as part of the basic financial statements. However, no differences were reported between total net change in fund balances and total changes in net position for the fiscal year ended June 30, 2014.

NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS

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. There was no effect on the Programs’ accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 66 – *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. There was no effect on the Programs’ accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 67 – *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. There was no effect on the Programs’ accounting or financial reporting as a result of implementing this standard.

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. There was no effect on the Programs’ accounting or financial reporting as a result of implementing this standard.

NOTE 3 – RESTRICTED CASH

The County maintains a cash pool that is available for use by all funds. Separate cash balances for individual contracts within the 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.

NOTE 4 – AMOUNTS DUE FROM (TO) OTHER AGENCIES**Due from (to) the State of California Department of Education (CDE)**

The amount due from the CDE represents grants receivable under the fiscal year 2013-2014 contracts with the CDE. As of June 30, 2014, the Programs have \$151,003 receivable from the CDE.

The amount due to the CDE represents the overpayments of fiscal year 2013-2014 contracts with the CDE. As of June 30, 2014, the Programs have \$26,044 due to the CDE.

NOTE 5 – LIABILITIES

Liabilities of the Programs totaled \$572,413 at June 30, 2014. This amount primarily consisted of expenses related to child care providers.

NOTE 6 – CHILD DEVELOPMENT CONTRACTS

The Programs contract with the CDE 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, 2014, the Programs earned \$4,835,275 of the maximum contract amount of \$5,142,873.

The Programs had the following grant expenditures and corresponding grant receipts for the fiscal year ending June 30, 2014, not including \$8,379 Stage 3 Grant revenues received after June 30, 2014:

	<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	N/A	C2AP-3065	\$ -	\$ -	\$ -	\$ -
Alternative Payment - Stage 3	93.575	C3AP-3063	797,623	729,312	637,401	91,911
Alternative Payment - Stage 3	93.575	C3AP-3063	138,777	126,892	136,959	(10,067)
Total Federal Grants			936,400	856,204	774,360	81,844
State Grants						
Alternative Payment - Stage 2	N/A	C2AP-3065	200,328	190,088	190,626	(538)
Alternative Payment - Stage 2	N/A	C2AP-3065	3,647,181	3,460,762	3,391,065	69,697
Alternative Payment - Stage 3	N/A	C3AP-3063	358,964	328,221	354,265	(26,044)
Total State Grants			4,206,473	3,979,071	3,935,956	43,115
Federal and State Total						
Alternative Payment - Stage 2		C2AP-3065	3,847,509	3,650,850	3,581,691	69,159
Alternative Payment - Stage 3		C3AP-3063	1,295,364	1,184,425	1,128,625	55,800
Total Program Grants			<u>\$ 5,142,873</u>	<u>\$ 4,835,275</u>	<u>\$ 4,710,316</u>	<u>\$ 124,959</u>

NOTE 7 – PARENT FEES

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

NOTE 8 – 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 the Programs through the Statewide Cost Plan for County Welfare departments County Expense Claim (CEC).

NOTE 9 – 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 a time study of hours through the CEC.

NOTE 10 – 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.

NOTE 11 – SELF-INSURANCE

The County has a risk management program with respect to workers' compensation, general and professional liability, unemployment, vision care, and dental care. Under its existing workers' compensation insurance plan, the County is responsible for the first \$500,000 per occurrence, with a commercial insurance company providing excess coverage up to the statutory limits. The general liability insurance including personal injury, auto, and public officials' errors and omissions are the County's responsibility for the first \$250,000 per occurrence with the excess insured by CSAC Excess Insurance Authority for up to \$25,000,000. The County's property coverage is insured through CSAC Excess Insurance Authority and several commercial insurance carriers for \$698,870,843 with a \$10,000 deductible. The County is self-insured for unemployment, health benefits, 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.

NOTE 12 – RESTRICTION ON INTERFUNDING BORROWING

The CDE prohibits interfund borrowings of any revenues received through a State of California contract to programs funded by other sources.

NOTE 13 – FUNDING OF DEFICITS

The General Fund of the County 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.

NOTE 14 – SUBSEQUENT EVENTS

The Programs' management has evaluated all events and transactions that occurred after June 30, 2014, and through November 6, 2014, 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.

REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF STANISLAUS
COMMUNITY SERVICES AGENCY
PROGRAM SERVICES AND SUPPORT FUND
CHILD DEVELOPMENT PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grant Funds	\$ 5,223,669	\$ 4,598,509	\$ 4,835,275	\$ 236,766
Total revenues	<u>5,223,669</u>	<u>4,598,509</u>	<u>4,835,275</u>	<u>236,766</u>
Expenditures:				
Casework	442,463	410,928	359,443	51,485
Support	648,647	551,374	441,928	109,446
Direct payments	4,128,424	3,631,834	4,032,743	(400,909)
Staff developments	<u>4,135</u>	<u>4,373</u>	<u>1,161</u>	<u>3,212</u>
Total expenditures	<u>5,223,669</u>	<u>4,598,509</u>	<u>4,835,275</u>	<u>(236,766)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

Child Development Programs	<u>Actual (Budget)</u>	<u>Actual (Page 15)</u>	<u>Difference</u>
Total Revenues:	\$ 4,835,275	\$ 4,963,726	\$ 128,451 *
Total Expenditures	\$ 4,835,275	\$ 4,963,726	\$ 128,451 *

* Difference is due to the fact that the budget does not include Parent Fees because the fees are paid directly to the child care provider for child care expenses. The fee amounts are adjusted from the provider's payment amount.

Budgetary Basis of Accounting

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

Excess of Actual Expenditures Over Budget

For the year ended June 30, 2014, actual expenditures exceeded budget as follows:

Direct payments	\$ 400,909
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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
FOR THE YEAR ENDED JUNE 30, 2014**

		Stage 2 Alternative Payment		
		Federal Grant	State Grant	Total
Classified salaries				
2200	Administrators' salaries	\$ -	\$ 31,227	\$ 31,227
2300	Clerical and other office salaries	-	125,081	125,081
2900	Other classified salaries	-	176,734	176,734
2000	Total classified salaries	-	333,042	333,042
Employee benefits				
3300	Social security	-	24,176	24,176
3400	Health and welfare benefits	-	83,475	83,475
3500	State unemployment benefits	-	325	325
3600	Workers' compensation insurance	-	5,888	5,888
3900	Other benefits	-	74,908	74,908
3000	Total employee benefits	-	188,772	188,772
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	-	3,087,660	3,087,660
5100	Personal services of instructional consultants, lecturers, and others	-	355	355
5200	Travel and conferences	-	3,930	3,930
5300	Dues and memberships	-	350	350
5400	Insurance	-	2,900	2,900
5500	Utilities and housekeeping services	-	14,024	14,024
5600	Rentals, leases, repairs, and non-capitalized improvements	-	16,936	16,936
5700	Audit fees	-	17,955	17,955
5800	Other services and operating expenditures	-	43,114	43,114
5000	Total services and other operating expenditures	-	3,187,224	3,187,224
Total net reimbursable expenditures		\$ -	\$ 3,709,038	\$ 3,709,038

**COUNTY OF STANISLAUS
COMMUNITY SERVICES AGENCY
PROGRAM SERVICES AND SUPPORT FUND
CHILD DEVELOPMENT PROGRAMS
SCHEDULE OF EXPENDITURES BY STATE CATEGORY (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

		Stage 3 Alternative Payment		
		Federal Grant	State Grant	Total
Classified salaries				
2200	Administrators' salaries	\$ 6,516	\$ 2,498	\$ 9,014
2300	Clerical and other office salaries	25,895	9,927	35,822
2900	Other classified salaries	37,479	14,368	51,847
2000	Total classified salaries	<u>69,890</u>	<u>26,793</u>	<u>96,683</u>
Employee benefits				
3300	Social security	5,072	1,944	7,016
3400	Health and welfare benefits	17,469	6,697	24,166
3500	State unemployment benefits	69	27	96
3600	Workers' compensation insurance	1,243	476	1,719
3900	Other benefits	15,647	5,998	21,645
3000	Total employee benefits	<u>39,500</u>	<u>15,142</u>	<u>54,642</u>
Books and supplies				
4300	Instructional materials and supplies	-	-	-
4400	Non-capitalized equipment and furniture	-	-	-
4500	Other supplies	-	-	-
4000	Total books and supplies	<u>-</u>	<u>-</u>	<u>-</u>
Services and other operating expenditures				
5100	Direct provider payments	776,041	297,492	1,073,533
5100	Personal services of instructional consultants, lecturers, and others	98	38	136
5200	Travel and conferences	756	290	1,046
5300	Dues and memberships	106	40	146
5400	Insurance	610	234	844
5500	Utilities and housekeeping services	2,931	1,124	4,055
5600	Rentals, leases, repairs, and non-capitalized improvements	3,604	1,381	4,985
5700	Audit fees	4,370	1,675	6,045
5800	Other services and operating expenditures	9,089	3,484	12,573
5000	Total services and other operating expenditures	<u>797,605</u>	<u>305,758</u>	<u>1,103,363</u>
Total net reimbursable expenditures		<u><u>\$ 906,995</u></u>	<u><u>\$ 347,693</u></u>	<u><u>\$ 1,254,688</u></u>

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

Agency Name: County of Stanislaus Vendor No. 2250

Fiscal Year End: June 30, 2014 Contract C2AP-3065

Independent Auditor's Name: Brown Armstrong Accountancy Corporation

	Column A	Column B	Column C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500-AP	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION I - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs		\$0	\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Subtotal	\$0	\$0	\$0
TRANSFER FROM RESERVE <i>(Alternative Payment Only)</i>			0
FAMILY FEES FOR CERTIFIED CHILDREN	58,188		58,188
INTEREST EARNED ON APPORTIONMENTS			0
UNRESTRICTED INCOME			
Other (Specify):			0
TOTAL REVENUE	\$58,188	\$0	\$58,188
SECTION II - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers</i>	\$3,087,660	\$0	\$3,087,660
1000 Certificated Salaries			0
2000 Classified Salaries	333,042		333,042
3000 Employee Benefits	188,772		188,772
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	99,564		99,564
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment <i>(program-related)</i>			0
6500 Replacement Equipment <i>(program-related)</i>			0
Depreciation or Use Allowance			0
Start-Up Expenses <i>(service level exemption)</i>			0
Budget Impasse Credit			0
Indirect Costs. Rate: 0.00%			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$3,709,038	\$0	\$3,709,038
TOTAL ADMINISTRATIVE COSTS <i>(included in Section II above)</i>	\$65,752	\$0	\$65,752
DAYS OF OPERATION	247	-	247
FOR CDE-A&I USE ONLY:			

COMMENTS - If necessary, attach additional sheets to explain adjustments:

Line 5000 includes \$17,955 accrual for Audit Fees.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 2 if there were no supplemental revenues or expenses to report.

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

Agency Name: County of Stanislaus Vendor No. 2250

Fiscal Year End: June 30, 2014 Contract C3AP-3063

Independent Auditor's Name: Brown Armstrong Accountancy Corporation

	Column A	Column B	Column C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500-AP	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION I - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs		\$0	\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Subtotal	\$0	\$0	\$0
TRANSFER FROM RESERVE <i>(Alternative Payment Only)</i>			0
FAMILY FEES FOR CERTIFIED CHILDREN	70,263		70,263
INTEREST EARNED ON APPORTIONMENTS			0
UNRESTRICTED INCOME			
Other (Specify):			0
TOTAL REVENUE	\$70,263	\$0	70,263
SECTION II - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers</i>	\$1,073,533	\$0	\$1,073,533
1000 Certificated Salaries			0
2000 Classified Salaries	96,683		96,683
3000 Employee Benefits	54,642		54,642
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	29,830		29,830
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment <i>(program-related)</i>			0
6500 Replacement Equipment <i>(program-related)</i>			0
Depreciation or Use Allowance			0
Start-Up Expenses <i>(service level exemption)</i>			0
Budget Impasse Credit			0
Indirect Costs. Rate: 0.00%			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$1,254,688	\$0	1,254,688
TOTAL ADMINISTRATIVE COSTS <i>(included in Section II above)</i>	\$19,718	\$0	19,718
DAYS OF OPERATION	247	-	247
FOR CDE-A&I USE ONLY:			

COMMENTS - If necessary, attach additional sheets to explain adjustments:

Line 5000 includes \$6,045 accrual for Audit Fees.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 2 if there were no supplemental revenues or expenses to report.

**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, 2014**

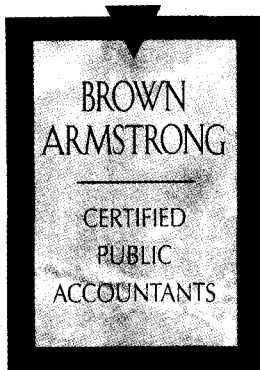
	Alternative Payment		Total
	C2AP	C3AP	
Salaries	\$ 26,870	\$ 7,683	\$ 34,553
Employee benefits	15,212	4,350	19,562
Personal services of instructional consultants, lecturers, and others	25	9	34
Travel and conferences	275	72	347
Dues and memberships	25	10	35
Insurance	203	58	261
Utilities and housekeeping services	982	280	1,262
Contracts, rents, and leases	1,186	344	1,530
Other services and operating expenditures	3,019	867	3,886
Audit expense	17,955	6,045	24,000
Total Reimbursable Expenditures	\$ 65,752	\$ 19,718	\$ 85,470

**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, 2014**

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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, 2014**

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S 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) AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County of Stanislaus Board of Supervisors
Modesto, California

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

7673 N. INGRAM AVENUE

SUITE 101
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

206 S. LOS ROBLES AVENUE

SUITE 326
PASADENA, CALIFORNIA 91101
TEL 626.204.6542
FAX 626.204.6547

5250 CLAREMONT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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 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, 2014, and the related notes to the financial statements, which collectively comprise the Programs' basic financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Programs' 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 Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Programs' 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.



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 Programs' 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. 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 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 entity'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 Programs' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 6, 2014

**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, 2014**

No current year findings.

**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, 2014**

No prior year findings.