



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  
2016 DEC -2 A 9:36

MEMO TO: LIZ KING  
CLERK OF THE BOARD

FROM:  CANDICE HENSON  
CONTRACTS ADMINISTRATION

DATE: DECEMBER 1, 2016

SUBJECT: BROWN ARMSTRONG CDE – CHILD CARE PROGRAM AUDIT

=====

Enclosed for your record is the Brown Armstrong Accountancy Corporation Annual Audit of the California Department of Education Child Care and Development Alternate Payment programs Stage 2 and Stage 3 Contracts for Fiscal Year 2015-2016.

If you have any questions regarding this document, please call me at 558-2934.

Thank you.



**COMMUNITY SERVICES AGENCY**

**Kathryn M. Harwell**  
Director

251 E. Hackett Road  
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Phone: 209.558.2500 Fax: 209.558.2558

BOARD OF SUPERVISORS

2016 DEC -2 A 9:36

November 18, 2016

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 9, 2016. The Fiscal Year 2015-2016 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 2015-2016 financial statements "present fairly, in all material respects, the respective financial position of the Programs, as of June 30, 2016, 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 "did not identify any deficiencies in internal control that we consider to be material weaknesses."

The audited Financial Statements totaled \$5,244,306 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*

BOARD OF SUPERVISORS

2016 DEC -2 A 9:36

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, 2016. 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 June 23, 2016. Professional standards also require that we communicate to you the following information related to our audit.

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**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. The Programs adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, during fiscal year ended June 30, 2016. 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. No such misstatements were identified.

*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 9, 2016.

*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**

We applied certain limited procedures to Management's Discussion and Analysis and Budgetary Comparison Information, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Supplemental Information listed in the table of contents, which accompanies the financial statements but is not RSI. 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 information and use of the County of Stanislaus Board of Supervisors and management of 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 9, 2016

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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

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

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**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
GENERAL INFORMATION  
JUNE 30, 2016**

**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 – 5063 CCDF Alternative Payment, Stage 2 CalWORKS  
C3AP – 5061 CCDF Alternative Payment, Stage 3 CalWORKS

**Type of Agency**

Public Agency

**Agency Director**

Kathryn Harwell

**Grant Period**

July 1, 2015 to June 30, 2016

**Days of Operation**

251

**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

**Report on the Financial Statements**

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, 2016, 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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## 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, 2016, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 19, respectively, 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 (GASB), 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 the *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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, 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 9, 2016

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of Stanislaus County Community Services Agency's Child Development Programs (the Programs), Stages 2 and 3, provides an overview of the Programs' financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Programs' financial statements, which begin on page 11.

### FINANCIAL HIGHLIGHTS

- The Programs as a whole had expenditures of \$5,244,306, an increase of \$48,948, or 0.9%, over last year.
- Expenditures for Stage 2 Child Care decreased from the previous fiscal period by \$131,511, or 3.4%, with totals for this fiscal year at \$3,766,234.
- The Stage 3 Child Care program expended \$1,478,742, an increase of 13.9%, or \$180,459, over last year's totals. Stage 3 has continued to show positive growth, reflecting a multi-year upward trend.
- Child Development Programs are 100% Federal and State funded. Augmentations are distributed based on funding needs and contract utilizations. Final fiscal year appropriations increased from the originally contracted amount at the beginning of the year, with Stage 3 expanding from \$1,379,470 to \$1,478,743 (an increase of \$99,273 or 7.2%) and Stage 2 idling at \$4,131,083.
- Stage 2 utilized 89.2% of contracted funds. The Stage 3 program utilized 93.8% of contracted funds.
- The Programs maintained administrative costs within the 17.5% allowable limit, with Stage 2 expending 13.1% 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 Activities (adapted for comparison on page 4) 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 Activities

The Statement of Net Position and the Statement of Activities report information about the Programs as a whole and the stages individually. These statements include all assets and liabilities, revenues and expenditures, using the accrual basis of accounting. Both reports on page 4 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, 2016. Assets are categorized as either restricted cash, designated specifically for that Child Care Program, or grants receivable from the California Department of Education (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. The Programs are 100% Federal and State funded and do not register positive or negative net position. Following 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**

	<b>Stage 2 - C2AP</b>		<b>Stage 3 - C3AP</b>		<b>Stages 2 and 3 Total</b>	
	<b>2015-2016</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2014-2015</b>
Restricted Cash	\$ 430,972	\$ 272,317	\$ 137,095	\$ 124,463	\$ 568,067	\$ 396,780
Grants Receivable	-	82,720	1,613	3,835	1,613	86,555
<b>Total Assets</b>	<b>\$ 430,972</b>	<b>\$ 355,037</b>	<b>\$ 138,708</b>	<b>\$ 128,298</b>	<b>\$ 569,680</b>	<b>\$ 483,335</b>
Accounts Payable and Accrued Liabilities	\$ 328,548	\$ 355,037	\$ 138,294	\$ 128,298	\$ 466,842	\$ 483,335
Due to CDE	102,424	-	414	-	102,838	-
<b>Total Liabilities</b>	<b>\$ 430,972</b>	<b>\$ 355,037</b>	<b>\$ 138,708</b>	<b>\$ 128,298</b>	<b>\$ 569,680</b>	<b>\$ 483,335</b>
<b>Net Position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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. Stage 2 and Stage 3 have increased in assets over last year, with a combined total increase of \$86,345 over last year. Accounts payable represents July and August provider payments for services 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 decrease to Accounts Payable reflects a decrease in provider payments of \$16,493, or 3.4%, over last year.

**Table 2****Statement of Activities**

	<b>Stage 2 - C2AP</b>		<b>Stage 3 - C3AP</b>		<b>Stages 2 and 3 Total</b>	
	<b>2015-2016</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2014-2015</b>
Government Apportionments	\$ 3,688,597	\$ 3,835,480	\$ 1,387,626	\$ 1,225,853	\$ 5,076,223	\$ 5,061,333
Parent Fees	77,637	62,265	90,446	71,760	168,083	134,025
<b>Total Revenues</b>	<b>\$ 3,766,234</b>	<b>\$ 3,897,745</b>	<b>\$ 1,478,072</b>	<b>\$ 1,297,613</b>	<b>\$ 5,244,306</b>	<b>\$ 5,195,358</b>
Salaries	\$ 265,328	\$ 357,648	\$ 115,175	\$ 111,968	\$ 380,503	\$ 469,616
Employee Benefits	140,255	191,096	60,751	59,433	201,006	250,529
Provider Payments	3,272,777	3,240,065	1,265,405	1,091,957	4,538,182	4,332,022
Other Operating Expenditures	87,874	108,936	36,741	34,255	124,615	143,191
<b>Total Expenditures</b>	<b>\$ 3,766,234</b>	<b>\$ 3,897,745</b>	<b>\$ 1,478,072</b>	<b>\$ 1,297,613</b>	<b>\$ 5,244,306</b>	<b>\$ 5,195,358</b>
<b>Net Position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Governmental Activities**

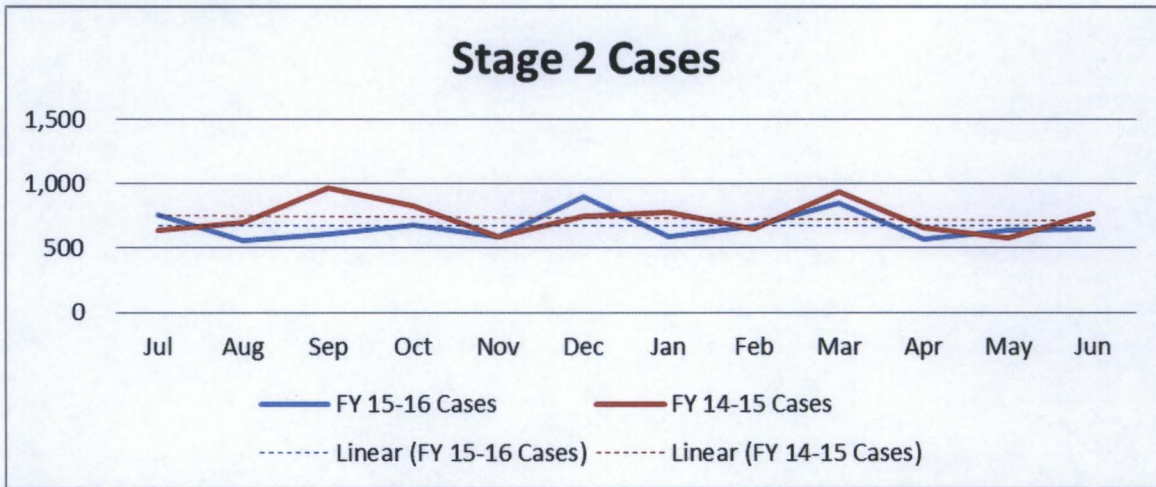
Revenues for the Programs have increased by \$48,948, or 0.9%, over those accumulated last year. Expenditures increased equally, with the largest spike seen in Provider Payments. Table 2 below presents the current fiscal year Statement of Activities in comparison to last year's figures.

Individually, Stage 2 realized a 3.4% decrease in revenues this year, down by \$131,511 for a revenue total of \$3,766,234. Alternatively, Stage 3 realized a 13.9% increase over last year's revenues, a gain of \$180,459 for a total \$1,478,072. This is in line with current program trends.

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 the 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 trends. Chart 1 reflects the monthly caseload count for Stage 2, with the current fiscal year in blue and the prior fiscal period identified in red. Trend lines for both years are included for ease of assessment.

**Chart 1**

**Caseload Analysis – Stage 2**

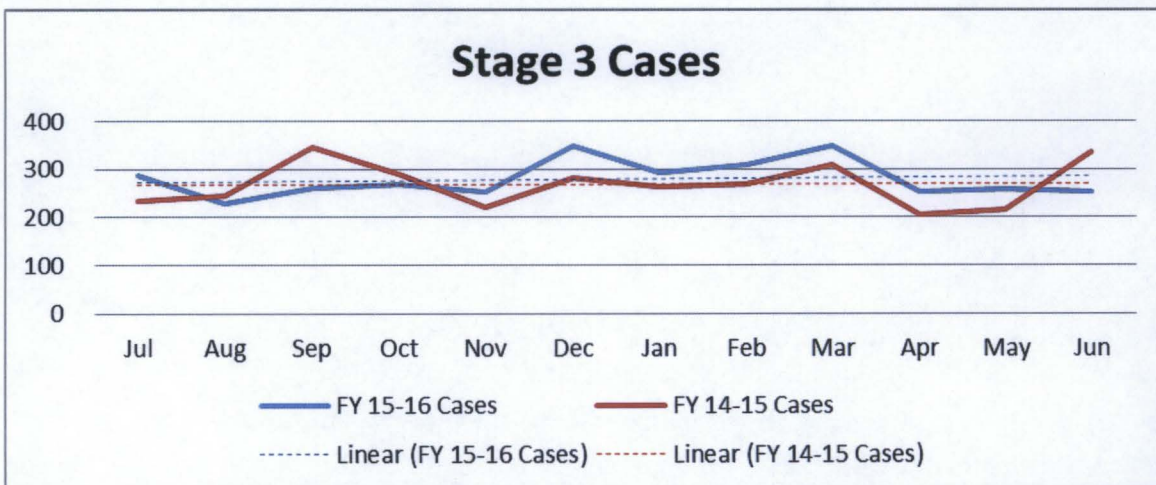


Stage 2 average caseload figures have decreased by 66 cases over last year's average. Current fiscal year starts slightly higher than last year and gradually decreases throughout the year.

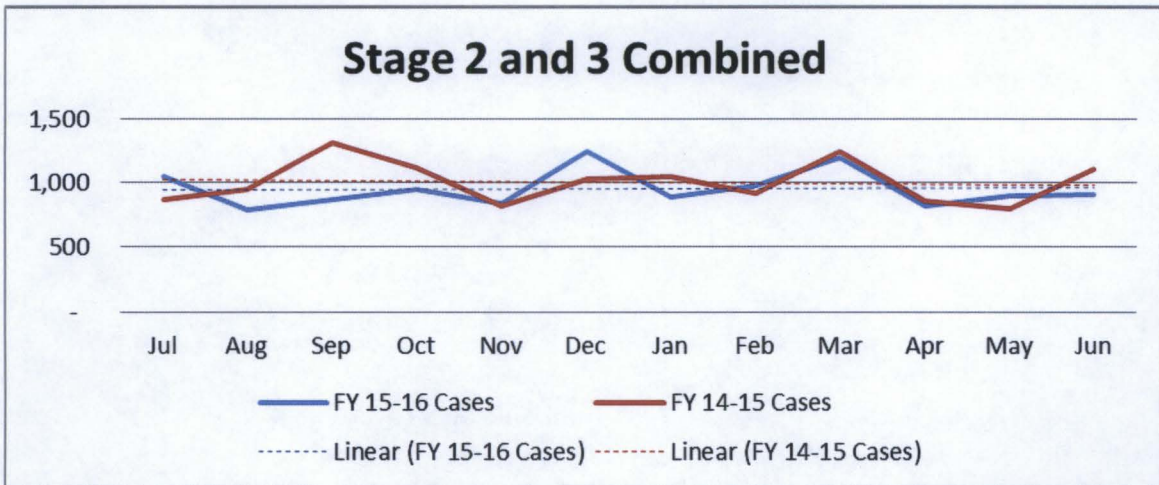
Chart 2 provides the caseload analysis for Stage 3 and the Programs as a whole. Stage 3 gradually increased by 12 cases over last year's average. Additionally, the Stages 2 and 3 combined line chart reflects a slight decreased trend pattern which is anticipated to continue.

**Chart 2**

**Caseload Analysis – Stage 3 and Programs as a Whole**







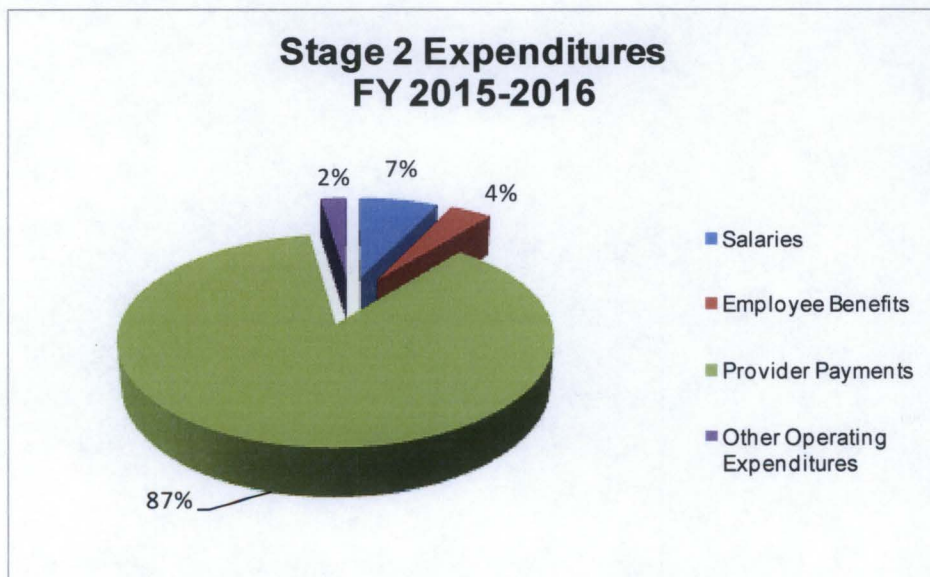
Fiscal Year 2016-2017 State Budget posted to Stage 2 and Stage 3 reflecting a decrease offset by an increase in the cost per case. Based on our current trends, we project a continued decreased trend over the next fiscal year. It is fully expected that the CDE will be able to provide the necessary appropriations 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 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 increased by \$32,712, or 1%, above prior year's payment level. Stage 3 provider payments increased by 15.9%, or \$173,448, over last year.

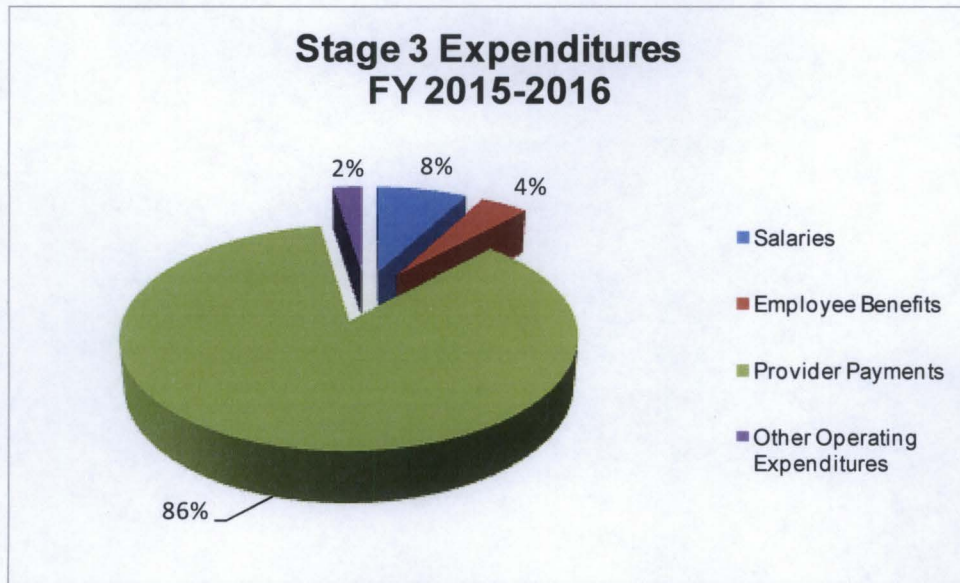
Each program is held to an administrative expenditure ceiling of 17.5% of initial contracted funds or total costs realized. Administrative costs are closely monitored throughout the year for compliance. Chart 3 provides a supplemental view of expenditures and whether administrative costs fall within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

**Chart 3**

**Expenditures Analysis**







Stage 2 completed the year expending 13.1% of total expenditures to administrative costs (11.9% of initial contracted amount). Stage 3 expended 14.4% of total expenditures on administrative costs (14.4% 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 \$4,131,083 and total year-end expenditures amounted to \$3,766,234. Stage 3 expended \$1,478,072, within its MRA of \$1,478,743.

#### Budget Analysis

The 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 2015-2016 Budget Analysis for Stage 2**

Stage 2 - C2AP-5063	Budgeted Amounts		Actual	Compared to Final
	Original (Final Budget)	Final (Midyear Budget)		
Revenues:				
Grant Funds	\$ 4,020,237	\$ 4,020,237	\$ 3,791,021	\$ (229,216)
<b>Total Revenues</b>	<u>4,020,237</u>	<u>4,020,237</u>	<u>3,791,021</u>	<u>(229,216)</u>
Expenditures:				
Casework	309,504	309,504	215,078	94,426
Support	381,112	381,112	277,121	103,991
Direct Payments	3,325,876	3,325,876	3,195,140	130,736
Staff Development	3,745	3,745	1,258	2,487
<b>Total Expenditures</b>	<u>4,020,237</u>	<u>4,020,237</u>	<u>3,688,597</u>	<u>331,640</u>
Excess revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	102,424	<u>\$ 102,424</u>
Contract Total			<u>4,131,083</u>	
Amount due from/(to) CDE			<u>\$ 102,424</u>	
Additional Funds Received after June 30, 2016			<u>-</u>	
Total Amount Due from/(to) CDE			<u>\$ 102,424</u>	

Stage 2 shows revenue receipts of \$3,791,021, \$229,216 under final budgeted revenues posted in the Midyear Budget. With the exception of provider payments, expenditures came in under budget. Provider payments came in under budget levels by \$130,736 and pushed total expenditures to \$3,688,606, \$331,631 under budget. Total expenditures are well within the Stage 2 contracted MRA of \$4,131,083.

**Table 4****FY 2015-2016 Budget Analysis for Stage 3**

Stage 3 - C3AP-5061	Budgeted Amounts		Actual	Compared to Final
	Original (Final Budget)	Final (Midyear Budget)		
Revenues:				
Grant Funds	\$ 1,317,075	\$ 1,317,075	\$ 1,386,427	\$ 69,352
<b>Total Revenues</b>	<b>1,317,075</b>	<b>1,317,075</b>	<b>1,386,427</b>	<b>69,352</b>
Expenditures:				
Casework	87,030	87,030	92,418	(5,388)
Support	104,806	104,806	119,717	(14,911)
Direct Payments	1,124,209	1,124,209	1,174,959	(50,750)
Staff Development	1,030	1,030	532	498
<b>Total Expenditures</b>	<b>1,317,075</b>	<b>1,317,075</b>	<b>1,387,626</b>	<b>(70,551)</b>
Excess revenues over/(under) expenditures	\$ -	\$ -	(1,199)	\$ (1,199)
Contract Total			1,478,743	
Amount due from/(to) CDE			\$ 1,199	
Additional Funds Received after June 30, 2016			-	
Total Amount due from/(to) CDE			\$ 1,199	

Revenue receipts for Stage 3 totaled \$1,386,427, \$69,352 over final Midyear Budget projections. Expenditures came in over the budget projections for a total overage of \$70,542. Final expenditure totals for Stage 3, amounting to \$1,387,617, are within our contracted MRA for this program. Future revenue receipts expected from the CDE total \$1,199. The total net amount due from the CDE for both Programs is \$1,199.

The CDE generally starts the Programs with conservatively estimated initial (Maximum Reimbursable Amount) MRAs based on prior year third quarter spending levels and makes adjustments throughout the year by either increasing or decreasing appropriations as necessary. Stage 3 has received an amendment throughout the year, augmenting contracted funds above initial levels. This adjustment is common when Programs show continued growth and funding needs, provided that the CDE has funds available to distribute amongst the counties.

Moderate growth throughout the year allowed for increased appropriations by year-end and for total expenditures to more closely resemble Midyear Budgeted figures.

**Capital Asset and Debt Administration**

The Programs do not maintain capital assets designated directly to the Programs. Expenditures related to the Community Services Agency (CSA) 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 of Stanislaus (the County) looks at these State impacts, utilizing various agency reports, to assess the economic environment and plan for the Programs' needs. Based on the Legislative Analyst's Office (LAO) publication dated October 5, 2016, the Child Care portion of the State budget showed an increase to Stage 2 and Stage 3 Programs, \$31 million and \$9 million, respectively. Higher spending is predominantly due to reimbursement rate and slot increases.

At the County level, Stage 2 and Stage 3 have experienced decreases and slight increases, respectively, in average caseloads. County projections mimic those at the State level, suggesting that a number of families will reach the end of their Stage 2 eligibility and transition to Stage 3 in the budget year.

The County presented its completed Fiscal Year 2016-2017 Final Budget to the Board of Supervisors (BOS) on August 30, 2016. The approved budget provides appropriations of \$4,220,452 for its Stage 2 Child Care Program and \$1,379,470 for its Stage 3 Child Care Program. These budgeted figures tie closely to initial contracted MRAs for Fiscal Year 2016-2017, with the CDE providing funding at \$4,006,089 for Stage 2 and \$1,614,863 for Stage 3.

**FINANCIAL STATEMENTS**

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Governmental Activities
<b>ASSETS</b>	
Restricted cash	\$ 568,067
Grants receivable	1,613
<b>Total assets</b>	<b>\$ 569,680</b>
 <b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 466,842
Due to the California Department of Education (CDE)	102,838
<b>Total liabilities</b>	<b>569,680</b>
<b>NET POSITION</b>	<b>\$ -</b>

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

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 5,244,306	\$ 168,083	\$ 5,076,223	\$ -
Total	<u>\$ 5,244,306</u>	<u>\$ 168,083</u>	<u>\$ 5,076,223</u>	<u>-</u>
		Change in net position		<u>-</u>
		Net position - beginning		<u>-</u>
		Net position - ending		<u>\$ -</u>

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

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
BALANCE SHEET  
JUNE 30, 2016**

	Alternative Payment Programs			Stages 2 and 3 Total	
	Stage 2 C2AP 100% State	54.5% Federal	Stage 3 C3AP 45.5% State Total Stage 3		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets</b>					
Restricted cash	\$ 430,972	\$ 73,657	\$ 63,438	\$ 137,095	\$ 568,067
Grants receivable	-	1,613	-	1,613	1,613
<b>Total assets and deferred outflows of resources</b>	<b>\$ 430,972</b>	<b>\$ 75,270</b>	<b>\$ 63,438</b>	<b>\$ 138,708</b>	<b>\$ 569,680</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 328,548	\$ 75,270	\$ 63,024	\$ 138,294	\$ 466,842
Due to the CDE	102,424	-	414	414	102,838
<b>Total liabilities</b>	<b>430,972</b>	<b>75,270</b>	<b>63,438</b>	<b>138,708</b>	<b>569,680</b>
<b>Fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 430,972</b>	<b>\$ 75,270</b>	<b>\$ 63,438</b>	<b>\$ 138,708</b>	<b>\$ 569,680</b>

**Reconciliation of the Balance Sheet to the Statement of Net Position**

Total fund balance - governmental funds	\$	-
Differences		-
Net position - governmental activities	\$	-

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

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Alternative Payment Programs		Total
	Stage 2 C2AP	Stage 3 C3AP	
<b>REVENUES</b>			
Government apportionment:			
Current year contracts	\$ 3,688,597	\$ 1,387,626	\$ 5,076,223
Parent fees	77,637	90,446	168,083
<b>Total revenues</b>	<b>3,766,234</b>	<b>1,478,072</b>	<b>5,244,306</b>
<b>EXPENDITURES</b>			
Salaries	265,328	115,175	380,503
Employee benefits	140,255	60,751	201,006
Provider payments	3,272,777	1,265,405	4,538,182
Other operating expenditures	87,874	36,741	124,615
<b>Total expenditures</b>	<b>3,766,234</b>	<b>1,478,072</b>	<b>5,244,306</b>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES</b>			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -
<b>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities</b>			
Net change in fund balances - governmental funds			\$ -
Difference			-
Change in net position - governmental activities			\$ -

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

COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**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 Programs. 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 are 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 Programs are accounted for in separate sets of self-balancing accounts that comprise their 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.

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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Basis of Accounting (Continued)

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, 2016.

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, 2016.

**NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS**

**GASB Statement No. 72** – *Fair Value Measurement and Application* – The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015. The implementation of this statement did not have an impact on the financial statements of the Programs.

**GASB Statement No. 73** – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The implementation of this statement did not have an impact on the financial statements of the Programs.

**GASB Statement No. 76** – *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015. The implementation of this statement did not have an impact on the financial statements of the Programs.

**NOTE 3 – RESTRICTED CASH**

Cash balances for individual contracts are determined from cash receipt and cash disbursement records of the individual contracts. Cash under the Programs is restricted for program uses only. As of June 30, 2016, Stage 2 had a restricted cash balance of \$430,972 and Stage 3 had a restricted cash balance of \$137,095.



**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 2015-2016 contracts with the CDE. As of June 30, 2016, the Programs have \$1,613 receivable from the CDE.

The amount due to the CDE represents the overpayments of fiscal year 2015-2016 contracts with the CDE. As of June 30, 2016, the Programs have \$102,838 due to the CDE.

**NOTE 5 – LIABILITIES**

Liabilities of the Programs totaled \$569,680 at June 30, 2016. 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, 2016, the Programs earned \$5,076,223 of the maximum contract amount of \$5,609,826.

The Programs had the following grant expenditures and corresponding grant receipts for the fiscal year ending June 30, 2016:

	CFDA Number	Contract Number	Grant Award Amount	Grant Expenditures	Grant Revenues Received	Amount Due From / (To) State
<b>Program Grants</b>						
<b>Federal Grants Passed Through the State</b>						
Alternative Payment - Stage 3	93.575	C3AP-5061	\$ 710,332	\$ 666,563	\$ 618,016	\$ 48,547
Alternative Payment - Stage 3	93.575	C3AP-5061	38,413	36,046	38,413	(2,367)
Alternative Payment - Stage 3	93.575	C3AP-5061	57,553	54,007	57,553	(3,546)
Total Federal Grants			806,298	756,616	713,982	42,634
<b>State Grants</b>						
Alternative Payment - Stage 2	N/A	C2AP-5063	4,131,083	3,688,597	3,791,021	(102,424)
Alternative Payment - Stage 3	N/A	C3AP-5061	672,445	631,010	672,445	(41,435)
Total State Grants			4,803,528	4,319,607	4,463,466	(143,859)
<b>Federal and State Total</b>						
Alternative Payment - Stage 2		C2AP-5063	4,131,083	3,688,597	3,791,021	(102,424)
Alternative Payment - Stage 3		C3AP-5061	1,478,743	1,387,626	1,386,427	1,199
Total Program Grants			\$ 5,609,826	\$ 5,076,223	\$ 5,177,448	\$ (101,225)

**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 Department's 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 CEO-Risk Management Division's program encompasses workers' compensation, general and professional liability, property, medical, dental, unemployment, and vision self-insurance. The County is self-insured for workers' compensation for the first \$500,000 per claim with excess insurance for amounts spent over \$500,000 on a statutory basis. The general liability insurance covers property damage, personal injury, auto, and public officials' errors and omissions and has a self-insured retention of \$250,000 per occurrence with excess insurance through CSAC-Excess Insurance Authority and several excess insurance carriers totaling to \$25,000,000. The County's property coverage limit is \$740,294,602 subject to variable deductibles including \$10,000 for All Risk Coverage and \$20,000 for vehicles per incident. Unemployment, vision care, and dental insurance are the sole responsibility of the County. Limited exposure precludes the need for outside insurance coverage. The County is self-insured for employee medical costs, and carries excess insurance for claims in excess of \$250,000.

**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, 2016, and through November 9, 2016, 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'S  
CHILD DEVELOPMENT PROGRAMS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Grant funds	\$ 5,337,312	\$ 5,337,312	\$ 5,076,223	\$ (261,089)
<b>Total revenues</b>	<b>5,337,312</b>	<b>5,337,312</b>	<b>5,076,223</b>	<b>(261,089)</b>
<b>Expenditures:</b>				
Casework	396,534	396,534	307,496	89,038
Support	485,918	485,918	396,838	89,080
Direct payments	4,450,085	4,450,085	4,370,099	79,986
Staff developments	4,775	4,775	1,790	2,985
<b>Total expenditures</b>	<b>5,337,312</b>	<b>5,337,312</b>	<b>5,076,223</b>	<b>261,089</b>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

	Actual (Budget)	Actual (Page 14)	Difference
Child Development Programs Total Revenues:	\$ 5,076,223	5,244,306	\$ 168,083 *
Total Expenditures	\$ 5,076,223	5,244,306	\$ 168,083 *

\* 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 of Stanislaus 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, 2016, actual expenditures did not exceed budget.

**SUPPLEMENTAL INFORMATION**  
**(as required by the State of California)**

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
SCHEDULE OF EXPENDITURES BY STATE CATEGORY  
FOR THE YEAR ENDED JUNE 30, 2016**

		Stage 2 Alternative Payment		
		Federal Grant	State Grant	Total
<b>Classified salaries</b>				
2200	Administrators' salaries	\$ -	\$ 23,987	\$ 23,987
2300	Clerical and other office salaries	-	101,155	101,155
2900	Other classified salaries	-	140,186	140,186
<b>2000</b>	<b>Total classified salaries</b>	-	265,328	265,328
<b>Employee benefits</b>				
3300	Social security	-	19,321	19,321
3400	Health and welfare benefits	-	66,516	66,516
3500	State unemployment benefits	-	245	245
3600	Workers' compensation insurance	-	3,224	3,224
3900	Other benefits	-	50,949	50,949
<b>3000</b>	<b>Total employee benefits</b>	-	140,255	140,255
<b>Books and supplies</b>				
4300	Instructional materials and supplies	-	285	285
4400	Non-capitalized equipment and furniture	-	7,569	7,569
4500	Other supplies	-	4,417	4,417
<b>4000</b>	<b>Total books and supplies</b>	-	12,271	12,271
<b>Services and other operating expenditures</b>				
5100	Direct provider payments	-	3,272,777	3,272,777
5100	Personal services of instructional consultants, lecturers, and others	-	172	172
5200	Travel and conferences	-	3,031	3,031
5300	Dues and memberships	-	454	454
5400	Insurance	-	2,383	2,383
5500	Utilities and housekeeping services	-	13,675	13,675
5600	Rentals, leases, repairs, and non-capitalized improvements	-	11,881	11,881
5700	Audit fees	-	17,674	17,674
5800	Other services and operating expenditures	-	26,333	26,333
<b>5000</b>	<b>Total services and other operating expenditures</b>	-	3,348,380	3,348,380
<b>Total net reimbursable expenditures</b>		<b>\$ -</b>	<b>\$ 3,766,234</b>	<b>\$ 3,766,234</b>

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
SCHEDULE OF EXPENDITURES BY STATE CATEGORY (Continued)  
FOR THE YEAR ENDED JUNE 30, 2016**

		Stage 3 Alternative Payment		
		Federal Grant	State Grant	Total
<b>Classified salaries</b>				
2200	Administrators' salaries	\$ 5,739	\$ 4,786	\$ 10,525
2300	Clerical and other office salaries	24,194	20,177	44,371
2900	Other classified salaries	32,868	27,411	60,279
<b>2000</b>	<b>Total classified salaries</b>	<b>62,801</b>	<b>52,374</b>	<b>115,175</b>
<b>Employee benefits</b>				
3300	Social security	4,574	3,815	8,389
3400	Health and welfare benefits	15,670	13,069	28,739
3500	State unemployment benefits	58	47	105
3600	Workers' compensation insurance	762	635	1,397
3900	Other benefits	12,062	10,059	22,121
<b>3000</b>	<b>Total employee benefits</b>	<b>33,126</b>	<b>27,625</b>	<b>60,751</b>
<b>Books and supplies</b>				
4300	Instructional materials and supplies	67	55	122
4400	Non-capitalized equipment and furniture	1,775	1,480	3,255
4500	Other supplies	1,015	849	1,864
<b>4000</b>	<b>Total books and supplies</b>	<b>2,857</b>	<b>2,384</b>	<b>5,241</b>
<b>Services and other operating expenditures</b>				
5100	Direct provider payments	689,974	575,431	1,265,405
5100	Personal services of instructional consultants, lecturers, and others	39	33	72
5200	Travel and conferences	740	618	1,358
5300	Dues and memberships	98	81	179
5400	Insurance	572	477	1,049
5500	Utilities and housekeeping services	3,191	2,662	5,853
5600	Rentals, leases, repairs, and non-capitalized improvements	2,775	2,314	5,089
5700	Audit fees	3,449	2,877	6,326
5800	Other services and operating expenditures	6,310	5,264	11,574
<b>5000</b>	<b>Total services and other operating expenditures</b>	<b>707,148</b>	<b>589,757</b>	<b>1,296,905</b>
<b>Total net reimbursable expenditures</b>		<b>\$ 805,932</b>	<b>\$ 672,140</b>	<b>\$ 1,478,072</b>

<b>AUDITED FISCAL REPORT</b>			
<b>for CalWORKS, Alternative Payment or Family Child Care Home Programs</b>			
Agency Name: <u>County of Stanislaus</u>		Vendor No. <u>2250</u>	
Fiscal Year End: <u>June 30, 2016</u>		Contract No. <u>C2AP-5063</u>	
Independent Auditor's Name: <u>Brown Armstrong Accountancy Corporation</u>			
	Column A	Column B	Column C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500-AP	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION I - REVENUE</b>			
RESTRICTED INCOME			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
<b>Subtotal</b>	\$0	\$0	\$0
TRANSFER FROM RESERVE <i>(Alternative Payment Only)</i>			0
FAMILY FEES FOR CERTIFIED CHILDREN	77,637		77,637
INTEREST EARNED ON APPORTIONMENTS			0
UNRESTRICTED INCOME			
Other (Specify):			0
<b>TOTAL REVENUE</b>	\$77,637	\$0	\$77,637
<b>SECTION II - REIMBURSABLE EXPENSES</b>			
<i>Direct Payments to Providers</i>	\$3,272,777	\$0	\$3,272,777
1000 Certificated Salaries			0
2000 Classified Salaries	265,329		265,328
3000 Employee Benefits	140,256		140,255
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	87,872		87,874
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
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$3,766,234	\$0	\$3,766,234
TOTAL ADMINISTRATIVE COSTS <i>(included in Section II above)</i>	\$51,629	\$0	\$51,629
DAYS OF OPERATION	251	-	251
FOR CDE-A&I USE ONLY:			
COMMENTS - If necessary, attach additional sheets to explain adjustments: Line 5000 includes \$17,674 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, 2016 Contract No. C3AP-5061

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
<b>SECTION I - REVENUE</b>			
RESTRICTED INCOME			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
<b>Subtotal</b>	\$0	\$0	\$0
TRANSFER FROM RESERVE <i>(Alternative Payment Only)</i>			0
FAMILY FEES FOR CERTIFIED CHILDREN	90,446		90,446
INTEREST EARNED ON APPORTIONMENTS			0
UNRESTRICTED INCOME			
Other (Specify):			0
<b>TOTAL REVENUE</b>	\$90,446	\$0	90,446
<b>SECTION II - REIMBURSABLE EXPENSES</b>			
<i>Direct Payments to Providers</i>	\$1,265,405	\$0	\$1,265,405
1000 Certificated Salaries			0
2000 Classified Salaries	115,175		115,175
3000 Employee Benefits	60,751		60,751
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	36,741		36,741
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
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$1,478,072	\$0	1,478,072
TOTAL ADMINISTRATIVE COSTS <i>(included in Section II above)</i>	\$21,213	\$0	21,213
<b>DAYS OF OPERATION</b>	251	-	251
FOR CDE-A&I USE ONLY:			

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

Line 5000 includes \$6,326 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'S  
CHILD DEVELOPMENT PROGRAMS  
COMBINING SCHEDULE OF ADMINISTRATIVE COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Alternative Payment		Total
	C2AP	C3AP	
Salaries	\$ 19,399	\$ 8,510	\$ 27,909
Employee benefits	10,249	4,496	14,745
Personal services of instructional consultants, lecturers, and others	10	4	14
Travel and conferences	181	84	265
Dues and memberships	27	11	38
Insurance	142	65	207
Utilities and housekeeping services	815	362	1,177
Rentals, leases, repairs, and non-capitalized improvements	708	315	1,023
Other services and operating expenditures	2,420	1,040	3,460
Audit expense	17,674	6,326	24,000
<b>Total Reimbursable Expenditures</b>	<b>\$ 51,625</b>	<b>\$ 21,213</b>	<b>\$ 72,838</b>

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
SCHEDULE OF EQUIPMENT EXPENDITURES  
UTILIZING CONTRACT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Expenditures Under \$7,500 Unit Cost		Expenditures Over \$7,500 Unit Cost With CDE Approval		Expenditures Over \$7,500 Unit Cost Without CDE Approval	
Cost	Item	Cost	Item	Cost	Item
\$	-	\$	-	\$	-
-	-	-	-	-	-
\$	-	\$	-	\$	-

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES  
UTILIZING CONTRACT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Expenditures Under \$10,000 Unit Cost		Expenditures Over \$10,000 Unit Cost With CDE Approval		Expenditures Over \$10,000 Unit Cost Without CDE Approval	
Cost	Item	Cost	Item	Cost	Item
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**OTHER REPORT**



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**

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To the County of Stanislaus Board of Supervisors  
Modesto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities 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, 2016, and the related notes to the financial statements, which collectively comprise the Programs' basic financial statements, and have issued our report thereon dated November 9, 2016.

**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.

### 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 their 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 Programs' 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 9, 2016

**FINDINGS AND QUESTIONED COSTS**



**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
FINDINGS AND QUESTIONED COSTS – CURRENT YEAR  
FOR THE YEAR ENDED JUNE 30, 2016**

No current year findings.

**COUNTY OF STANISLAUS  
COMMUNITY SERVICES AGENCY  
PROGRAM SERVICES AND SUPPORT FUND'S  
CHILD DEVELOPMENT PROGRAMS  
FINDINGS AND QUESTIONED COSTS – PRIOR YEAR  
FOR THE YEAR ENDED JUNE 30, 2016**

No prior year findings.