

STANISLAUS ANIMAL SERVICES AGENCY
"SERVING YOUR COMMUNITY TOGETHER"

3647 Cornucopia Way
Modesto CA 95358

Phone: 209.558.7387 Fax: 209.558.2138
www.stanislausanimalservices.com

Stanislaus Animal Services Agency Board Meeting Agenda



April 16, 2026 – 9:00am

Ceres Community Center
2701 4th Street
Ceres, CA 95307



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Joint Powers Agency Meeting Notice

Thursday April 16, 2026, Ceres Community Center, 2701 4th Street, Ceres, CA

The Joint Powers Agency welcomes you to its meetings, which are held by announcement, and your interest is encouraged and appreciated.

The agenda is divided into two sections:

CONSENT CALENDAR: These matters include routine financial and administrative actions. All items on the consent calendar will be voted on at the beginning of the meeting under the section titled “Consent Calendar.” If you wish to have an item removed from the Consent Calendar, please make your request at the time the Agency Chairperson asks if any member of the public wishes to remove an item from consent.

REGULAR CALENDAR: These items will be individually discussed and include all items not on the consent calendar, all public hearing and correspondence.

ANY MEMBER OF THE AUDIENCE DESIRING TO ADDRESS THE AGENCY ON A MATTER ON THE AGENDA: Please raise your hand or step to the podium at the time the item is announced by the Agency Chairperson. In order that interested parties have an opportunity to speak, any person addressing the Agency will be limited to a maximum of 5 minutes unless the Chairperson of the Agency grants a longer period of time.

PUBLIC COMMENT PERIODS: Matters under the jurisdiction of the Agency, and not on the posted agenda, may be addressed by the general public at the beginning of the regular agenda and any off-agenda matters before the Agency for consideration. However, California law prohibits the Agency from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Joint Powers Agency for Stanislaus Animal Services. Any member of the public wishing to address the Agency during the “Public Comment” period shall be permitted to be heard once for up to 5 minutes.

Materials related to an item on this Agenda submitted to the Agency after distribution of the agenda packet are available for public inspection in the Clerk’s office at 3647 Cornucopia Way, Modesto, CA during normal business hours.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Joint Powers Agency meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Executive Director of Animal Services at (209) 342-1740. Notification 72 hours prior to the meeting will enable the Agency to make reasonable arrangements to ensure accessibility to this meeting.

MATERIALS: Materials related to an item on this Agenda submitted to the Joint Powers Agency after distribution of the agenda packet are available for public inspection in the Animal Services Office at 3647 Cornucopia Way in Modesto, during normal business hours.



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April 16, 2026

1. **Welcome:**
2. **Roll Call (Silent):**
3. **Presentations:**
4. **Public Comment Period: (Limit of 5 minutes per person):**
5. **Minutes of Previous Meeting:**
 - A. Approve the Agency Board Meeting Minutes from 03/19/26.
6. **Correspondence:** None
7. **New Business:**
 - A. Consider the Approval of the Stanislaus Animal Services Agency Five (5) Year Capital Improvement Plan.
 - B. Consider the Acceptance of Stanislaus Animal Services Agency FY 2023 and FY 2024 Audit Report and Management’s Response.
8. **Informational Reports:**
 - A. Executive Director Report – Lily Yap
 - a. Intake Deferment
 - B. Board Comments and Reports
9. **Closed session:** Public Employment: Performance Evaluation – SASA Executive Director. Government Code Section 54957(b).
10. **Adjournment:**





**STANISLAUS ANIMAL SERVICES AGENCY
ACTION AGENDA SUMMARY**

AGENDA DATE: April 16, 2026

AGENDA #: 7-B

SUBJECT:

Consider the Approval of the Stanislaus Animal Services Agency Five (5) Year Capital Improvement Plan

DISCUSSION:

The Stanislaus Animal Services Agency (SASA) has developed a Capital Improvement Plan (CIP) to support the annual budget process and guide long-term capital planning. Structured as a five-year framework, the CIP is intended to:

- Provide direction on capital investment priorities and facilitate JPA Board discussions.
- Establish a rolling five-year forecast of anticipated capital expenditures for long-term fiscal planning.
- Inform development of the annual budget regarding capital outlay needs.

If adopted, the CIP will be updated annually to support long-range planning and provide an early forecast of projected costs. Adoption of the CIP does not guarantee funding approval; rather, it provides a planning framework to be referenced during each budget cycle, at which time proposed capital expenditures may be evaluated for possible inclusion in the recommended budget.

The CIP covers Fiscal Years 2026-2027 through 2030-2031 and identifies recommended capital projects, including preliminary timelines, estimated costs, and expected operational impacts. The structured approach supports operational continuity through the systematic replacement of major equipment nearing end of its useful life.

Purpose of the Capital Improvement Plan

The CIP is intended to complement the annual SASA budget, which addresses operational, maintenance, and related ongoing obligations. Integrating the CIP into the budgeting process allows capital expenditures to be considered and incorporated in a more strategic and deliberate manner.

The CIP serves three primary purposes:

- Acting as the guide for capital investment objectives and facilitating Board discussions on priorities and project needs.
- Establishing a continuing five-year capital expenditure plan that enhances long-term fiscal planning.
- Providing direction in developing the annual budget as it related to capital needs.

Long-Term Planning and Regular Updates

The CIP provides a five-year projection of anticipated capital needs based on preliminary cost estimates and timelines. Annual updates may add, modify, or remove projects based on current conditions. It is recommended that the updated CIP be presented to the JPA Board each September or October to maintain the rolling five-year schedule.

Capital Planning Versus Operational and Maintenance Planning

Capital improvement projects include major, one-time investments in facility construction or equipment. Routine maintenance and standard annual repairs are not included in the CIP and will continue to be funded through SASA's operating budget. Procurement will follow Stanislaus County General Services Agency procedures unless the Board adopts agency-specific alternatives in the future.

Capital Improvement Plan Development Process

Each year, SASA staff will prepare a five-year projection of capital projects and present it to the JPA Board in September or October. Each project summary will include implementation timelines, cost estimates, project descriptions, and fiscal impacts. Once funding is approved through the annual budget, projects will be designated as Approved/Funded in the CIP. Completed projects will be removed in the next update. Progress will be reported to the Board annually.

Sources of Project Funds

Potential funding sources will be identified for each recommended project and may change based on cost updates, timing, and budget constraints. While most projects are expected to be funded by SASA partner agencies, state, federal, grant, and private opportunities will be explored when appropriate.

Capital Improvement Plan Projects Description and Schedule

Many of the facility's original 2010-era mechanical, plumbing, and building systems have reached or are approaching the end of their useful life. These systems support essential shelter functions including sanitation, ventilation, waste handling, animal care, and daily operations. Key systems requiring replacement include:

- **Well Pressure Tank** – Maintains consistent water pressure to the facility and prevents surges or pressure drops. It also reduces rapid cycling of the well pump. This system supports the non-potable well water used for kennel cleaning and pressure washing and is not connected to the treated city water supply.
- **Commercial Washing Machine** – Large-capacity front-load commercial washers used for all facility laundry needs.
- **High-Temperature Dish Machine** – Sanitizes all animal food and water dishes to reduce the risk of disease transmission.
- **Hospital Floor Repair** – Repairs to commercial vinyl flooring that has deteriorated and separated due to urine exposure and construction impact.
- **Sewage Station Controls** – Control panel containing components that regulate and monitor the operation of the sewage and waste grinder pumps.
- **Well Pump** – Mechanical pump that extracts groundwater and delivers it under pressure for non-potable cleaning needs. This system is unrelated to the city/treated water supply.
- **Pressure Washer Controls** – Mechanical pump and electrical control system that allows connection of portable hose reels at multiple locations for pressure washing kennels and other facility areas.
- **Johnson Controls BMS** – A building management system required under California Title 24 for energy conservation. It monitors, controls, and optimizes mechanical and electrical systems, including HVAC units, lighting schedules, and occupancy-based power management.
- **Sewage Grinder Pumps** – Submersible pumps designed to cut and grind shelter waste including animal hair, paper products, and organic materials. The processed waste is then discharged through smaller-diameter piping into the municipal wastewater system.
- **Water Heaters** – Two 100-gallon water heaters that supply heated city water for the facility.
- **Makeup Air Units** – Large evaporative cooling units that function similarly to industrial swamp coolers, providing both heating and cooling to kennel wards. These units deliver fresh, non-recirculated air to support ventilation and odor control in high-occupancy animal areas.

The following section outlines the capital improvement projects as recommended by SASA staff in alignment with the proposed CIP. The plan establishes a scheduled approach for equipment replacement and cost projection. Costs for recommended projects will be included in the annual budget during the fiscal year designated for each project. In addition, the annual budget will include staff recommendations regarding potential funding sources, financing options, and pre-funding strategies.

Across fiscal years 2026-2027 through 2029-2030, the proposed replacements maintain essential health, safety, sanitation, and operational functions of the animal shelter. These projects preserve regulatory compliance, prevent system failures, and ensure the facility continues meeting the needs of staff, animals, and the community.

Hardware	Installation Date	Useful Life	Qty	Recommended Replacement / Installation FY	Est. Replacement Cost Range
Commercial Washing Machine	2010	15-20 Years	2	2026-2027	\$40,000 - \$45,000
High Temp Dish Machine	2010	12-15 Years	1	2026-2027	\$6,000 - \$7,000
Well Pressure Tank	2010	10-15 Years	1	2026-2027	\$10,000 - \$12,000
Hospital Floor Repair	2010	20 Years	1	2026-2027	\$25,000 - \$27,000
FY 2026-2027 Total					\$81,000 - \$91,000
Pressure Washer Control	2010	15-20 Years	6	2027-2028	\$7,000 - \$8,000
Well Pump	2010	15-20 Years	2	2027-2028	\$12,000 - \$14,000
Sewage Station Controls	2010	15-25 Years	1	2027-2028	\$20,000 - \$24,000
FY 2027-2028 Total					\$39,000 - \$46,000
Johnson Controls BMS	2010	20 Years	1	2028-2029	\$30,000 - \$33,000
Water Heaters	2010	12-20 Years	2	2028-2029	\$12,000 - \$15,000
Sewage Grinder Pumps	2010	15-20 Years	2	2028-2029	\$22,000 - \$25,000
FY 2028-2029 Total					\$64,000 - \$73,000
Make-Up Air Rooftop Units	2010	20-22 Year	2	2029-2030	\$80,000 - \$85,000
FY 2029-2030 Total					\$80,000 - 85,000
Grand Total					\$264,000 – 295,000

Note: There are currently no anticipated capital improvement expenditures for Fiscal Years 2030-2031. Additionally, based on prior experience, it is expected that current cost estimates may increase by as much as 20 percent.

STAFF RECOMMENDATION:

Approve the recommended Capital Improvement Plan for Fiscal Years 2026-2027 through 2030-2031.

FISCAL IMPACT:

The total projected cost of the five-year CIP is estimated to be \$264,000 to \$295,000. Capital projects proposed for inclusion in the Fiscal Year 2026-2027 Budget are estimated to be \$81,000 to \$91,000.

AGENCY BOARD ACTION:

On motion of _____; Seconded by _____

and approved by the following vote:

Ayes: _____

Noes: _____

Excused or Absent: _____

Abstaining: _____

1) _____ Approved as recommended.

2) _____ Denied.

3) _____ Approved as amended.

Motion:



**STANISLAUS ANIMAL SERVICES AGENCY
ACTION AGENDA SUMMARY**

AGENDA DATE: April 16, 2026

AGENDA #: 7-C

SUBJECT:

Consider the Acceptance of Stanislaus Animal Services Agency FY 2023 and FY 2024 Audit Report and Management’s Response.

DISCUSSION:

California Government Code §6505 requires Joint Powers Agencies (JPAs) to have regular financial audits completed by either a county auditor or a certified public accountant. To meet this requirement, the Stanislaus Animal Services Agency (SASA) retained Brown Armstrong Accountancy Corporation (BA) to conduct audits for Fiscal Years (FY) 2023 and 2024. These audits ensure financial accuracy, legal compliance, and public trust. The decision to move forward with the audits was influenced by recent turnover in the Business Manager role, changes to the County’s accounting system, and recommendations from the Civil Grand Jury (2022-2023). Funding for both audits was included in SASA’s FY 2025 budget.

SASA has internal controls in place to provide reasonable assurance that its financial statements are accurate. Throughout the year, staff monitor financial activity to comply with State laws and regulations. An outside audit is a major effort that requires significant time from both the auditors and SASA staff. It also provides an opportunity to learn, identify improvements, and strengthen financial practices. If any issues are identified, staff take action to address them in the interest of taxpayers and public transparency.

The purpose of the audit report is to determine whether SASA’s financial statements fairly represent its financial position as of June 30, 2023, and June 30, 2024, in line with generally accepted accounting principles. The audit follows national auditing standards, including those issued by the Comptroller General of the United States.

The audit report includes the Independent Auditor’s Report, financial statements, and other related documents. The audit, included in the Board’s agenda packet, identified several internal control issues for FY 2023 and FY 2024.

For FY 2023, the Agency received a Material Weakness¹ because significant revenues, including DocuPet (pet licensing software system) receipts and member contributions, were not recorded for the year, leading to approximately \$924,000 in understated revenue. In response, management implemented new procedures to review receipts and strengthened the year-end closing process to ensure revenue is properly recorded.

For FY 2024, the Agency received the following findings:

¹ A *material weakness* is defined as “a deficiency (or combination of deficiencies) in internal control, such that there is reasonable possibility that a material misstatement of an entity’s financial statements could occur that would not be prevented, or detected and corrected on a timely basis.”



- A Deficiency² for missing required approvals for several cash disbursements and travel transactions, which could allow unauthorized or non-compliant expenditures to go unnoticed. Since the finding, management has reinforced approval requirements and added supervisory reviews.
- A Significant Deficiency³ for not preparing or retaining monthly cash reconciliations, which increases the risk of undetected errors or misstatements of cash balances. As a result, management has adopted formal reconciliation procedures with independent review.
- A Control Weakness related to partner debt service payments not being processed on time and an inaccurate amortization schedule, resulting in a misstatement of the note payable and slightly higher interest costs.

Management acknowledges the internal errors that contributed to these issues and has since strengthened approval processes, established formal reconciliation steps, and assigned staff responsibility for pooled cash reallocations and verifying amortization schedules.

SASA remains committed to responsible management of public funds and maintaining strong financial practices. Staff continue to review and improve procedures to increase efficiency, reinforce internal controls, and reduce the likelihood of similar issues in the future. Staff also commits to providing periodic compliance reports to the Board prior to the next audit.

STAFF RECOMMENDATION:

1. Accept the Stanislaus Animal Services Agency FY 2023 and FY 2024 Audit Report prepared by Brown Armstrong Accountancy Corporation.
2. Accept Management’s Response to the Stanislaus Animal Services Agency FY 2023 and FY 2024 Audit Report.

FISCAL IMPACT:

Brown Armstrong Accountancy Corporation was compensated \$40,000 for the services provided and funding for the audit was included in SASA’s Fiscal Year 2025 Budget.

AGENCY BOARD ACTION:

On motion of _____; Seconded by _____
and approved by the following vote:

Ayes: _____

Noes: _____

Excused or Absent: _____

Abstaining: _____

- 1) _____ Approved as recommended.
- 2) _____ Denied.

² A *deficiency* “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.”

³ A *significant deficiency* is defined as a “deficiency or 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.” (American Institute of Certified Public Accountants, Professional Standards, U.S. Auditing Standards (2021), "Communicating Internal Control Related Matters Identified in an Audit," paragraph 265.07).



3)_____

Approved as amended.

Motion:

STANISLAUS ANIMAL SERVICES AGENCY

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2024 AND 2023**

**STANISLAUS ANIMAL SERVICES AGENCY
JUNE 30, 2024 AND 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members
of the Governing Board
Stanislaus Animal Services Agency
Modesto, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Stanislaus Animal Services Agency (the Agency) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2024 and 2023, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Stockton, California
March 18, 2026

BASIC FINANCIAL STATEMENTS

**STANISLAUS ANIMAL SERVICES AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023**

	2024	2023
ASSETS		
Current Assets		
Cash and Pooled Investments	\$ 3,227,854	\$ 1,487,391
Accounts Receivable, Net	2,892	1,173,162
Interest Receivable	22,721	1,755
Total Current Assets	3,253,467	2,662,308
Noncurrent Assets		
Capital Assets		
Structures and Improvements	7,664,921	7,664,921
Equipment	1,186,993	1,186,993
Right-to-Use Asset	-	2,524
Accumulated Depreciation and Amortization	(3,456,381)	(3,200,894)
Total Capital Assets, Net	5,395,533	5,653,544
Total Noncurrent Assets	5,395,533	5,653,544
TOTAL ASSETS	8,649,000	8,315,852
LIABILITIES		
Current Liabilities		
Accounts Payable	15,019	13,885
Accrued Expenses	145,148	125,486
Unearned Revenues	(82)	320
Note Payable	172,095	167,229
Total Current Liabilities	332,180	306,920
Noncurrent Liabilities		
Note Payable	2,722,399	3,072,878
Total Noncurrent Liabilities	2,722,399	3,072,878
TOTAL LIABILITIES	3,054,579	3,379,798
NET POSITION		
Net Investment in Capital Assets	2,501,039	2,413,437
Unrestricted	3,093,382	2,522,617
TOTAL NET POSITION	\$ 5,594,421	\$ 4,936,054

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

**STANISLAUS ANIMAL SERVICES AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Licenses and Fees	\$ 451,679	\$ 577,724
Fines	329,218	381,999
Member Payments	5,057,893	4,692,468
Charges for Services	267,225	285,255
Miscellaneous Revenue	25,820	32,907
Donations and Contributions	464,681	317,180
	6,596,516	6,287,533
OPERATING EXPENSES		
Contracted Personnel	4,106,500	3,528,911
Professional Services	639,841	419,839
Facility Costs	230,671	165,298
Utilities	85,536	98,290
Repairs and Maintenance	120,741	166,650
Insurance	61,256	63,258
Supplies	380,436	297,825
Licenses and Fees	-	28,394
Gas, Oil, and Fuel	55,983	36,326
Outside Services	57,057	19,508
Education and Training	7,205	7,574
Depreciation and Amortization	258,011	258,529
	6,003,237	5,090,402
OPERATING INCOME	593,279	1,197,131
NONOPERATING REVENUES (EXPENSES)		
Interest Income	110,870	11,965
Interest Expense	(45,782)	(52,946)
	65,088	(40,981)
CHANGE IN NET POSITION	658,367	1,156,150
Net Position at Beginning of Year	4,936,054	3,779,904
NET POSITION AT END OF YEAR	\$ 5,594,421	\$ 4,936,054

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

**STANISLAUS ANIMAL SERVICES AGENCY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Operating Revenues	\$ 7,766,786	\$ 5,200,907
Cash Payments to Contracted Personnel	(4,086,838)	(3,484,076)
Cash Payments for Operating Expenses	(1,637,994)	(1,424,559)
Net Cash Provided by Operating Activities	2,041,954	292,272
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid	(45,782)	(52,946)
Principal Paid on Note Payable	(345,613)	(56,566)
Principal Paid on Leases	-	(506)
Net Cash Used by Capital and Related Financing Activities	(391,395)	(110,018)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	89,904	13,986
Net Cash Provided by Investing Activities	89,904	13,986
Net Increase in Cash and Pooled Investments	1,740,463	196,240
CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR	1,487,391	1,291,151
CASH AND POOLED INVESTMENTS, END OF YEAR	\$ 3,227,854	\$ 1,487,391
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 593,279	\$ 1,197,131
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	258,011	258,529
Change in Assets and Liabilities		
Accounts Receivable, Net	1,170,270	(1,086,626)
Accounts Payable and Accrued Expenses	1,134	(121,437)
Salaries and Benefits Payable	19,662	44,835
Unearned Revenues	(402)	(160)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,041,954	\$ 292,272

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

**STANISLAUS ANIMAL SERVICES AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Stanislaus Animal Services Agency (the Agency) was established October 27, 2009. The role of the Agency is to provide public safety and animal sheltering needs to the communities it serves. These services include the sheltering and care of abandoned, lost, and unwanted animals; enforcement of state and local animal control laws; support of local law enforcement; 24-hour emergency services; animal adoptions; low cost spay and neuter programs; and investigation of cruelty and neglect cases against animals. The entity is a Joint Powers Agency between the County of Stanislaus (the County) and the following member cities: Ceres, Hughson, Modesto, Patterson, and Waterford.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The Agency's financial activities are accounted for using the principles of enterprise fund accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation/amortization) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. The operating revenues of the Agency are charges for services to customers. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Accounting Method

The Agency's financial statements have been prepared using the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred.

It is the Agency's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

D. Cash and Cash Equivalents

For the purposes of these financial statements, cash and cash equivalents consist of the Agency's equity in the pooled balance of cash and investments held by the County Treasury. There are no separate bank accounts maintained by or for the Agency. Investments are reported in the accompanying statement of net position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, a maturity date of three months or less at the time of purchase.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Capital assets owned by the Agency are capitalized at historical cost. Capital assets are defined by the Agency as all land, buildings, property, and equipment with an initial individual cost of \$5,000 or more. Repairs and maintenance are recorded as expense. Donated capital assets are recorded at estimated acquisition value at the date of donation and the corresponding revenue is recognized. Depreciation is charged to operations using the straight-line method, based on the average useful life of the asset. The estimated useful lives of its buildings, property, and equipment range from 3 to 40 years.

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

F. Debt

The County constructed the new animal shelter facility with loan proceeds from the 2006 Tobacco Endowment Fund. The County entered into an agreement with the Agency, which has tenancy-in-common interests in the facility through its useful life. The County retains ownership of the land while the Agency owns the building. The terms of borrowing will be 25 years of amortization. The agreement requires the Agency to pay the County \$1 per year for use of the facility, and if extended would be \$25 for each additional 25-year term. The Agency members are required to pay a proportional share of the capital costs beginning the first of the fiscal year following occupancy, which was January 19, 2011.

G. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the statement of net position. Net investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by legislation or external restrictions by creditors, grantors, laws, or regulations of other governments. Unrestricted net position consists of funds which are unrestricted and available for general operations.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND POOLED INVESTMENTS WITH THE COUNTY

Cash and pooled investments at June 30, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Cash and Pooled Investments	\$ 3,227,854	\$ 1,487,391
County of Stanislaus Investment Pool	<u>\$ 3,227,854</u>	<u>\$ 1,487,391</u>

NOTE 2 – CASH AND INVESTMENTS WITH THE COUNTY (Continued)

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy authorizes investments to be pooled with the County and allows for the same kind of investments as the County. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, or concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings can be found in the County's Annual Comprehensive Financial Report.

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Agency does not own investments in any one issuer that represent five percent (5%) or more per investment category.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As the Agency pools its cash with the County (and does not have any direct deposits with financial institutions as of June 30, 2024 and 2023), the custodial credit risk lies solely with the County.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Local Agency Investment Fund).

NOTE 2 – CASH AND INVESTMENTS WITH COUNTY (Continued)

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

The Agency did not have any investments for the fiscal years ended June 30, 2024 and 2023, that were classified in this three-tiered fair value hierarchy, as the Agency's investments are only invested in the County of Stanislaus Investment Pool. See the County of Stanislaus Annual Comprehensive Financial Report for additional information.

For further information regarding the cash and investment pool, the audit report of the County may be obtained by writing the County of Stanislaus, 1010 10th Street, Suite 5100, Modesto, California 95354.

NOTE 3 – RECEIVABLES

Receivables consist of the following at June 30, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Accounts Receivable	\$ 2,892	\$ 323,888
Receivables due from Member Agencies	-	849,274
Total	<u>\$ 2,892</u>	<u>\$ 1,173,162</u>

NOTE 4 – CAPITAL ASSETS

During the fiscal years ended June 30, 2024 and 2023, the following changes in capital assets occurred:

	Balance <u>June 30, 2023</u>	Additions	Deletions	Balance <u>June 30, 2024</u>
Capital Assets Being Depreciated and Amortized:				
Structures and Improvements	\$ 7,664,921	\$ -	\$ -	\$ 7,664,921
Equipment	1,186,993	-	-	1,186,993
Right-to-Use Asset - Equipment	<u>2,524</u>	-	<u>(2,524)</u>	-
Total Capital Assets Being Depreciated and Amortized	8,854,438	-	(2,524)	8,851,914
Less Accumulated Depreciation and Amortization:				
Structures and Improvements	(2,438,464)	(192,850)	-	(2,631,314)
Equipment	(759,906)	(65,161)	-	(825,067)
Right-to-Use Asset - Equipment	<u>(2,524)</u>	-	<u>2,524</u>	-
Total Capital Assets Being Depreciated and Amortized	<u>(3,200,894)</u>	<u>(258,011)</u>	<u>2,524</u>	<u>(3,456,381)</u>
Total Capital Assets, Net	<u>\$ 5,653,544</u>	<u>\$ (258,011)</u>	<u>\$ -</u>	<u>\$ 5,395,533</u>

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets Being Depreciated and Amortized:				
Structures and Improvements	\$ 7,565,218	\$ -	\$ 99,703	\$ 7,664,921
Equipment	1,286,696	-	(99,703)	1,186,993
Right-to-Use Asset - Equipment	2,524	-	-	2,524
Total Capital Assets Being Depreciated and Amortized	8,854,438	-	-	8,854,438
Less Accumulated Depreciation and Amortization:				
Structures and Improvements	(2,159,239)	(192,850)	(86,375)	(2,438,464)
Equipment	(781,120)	(65,161)	86,375	(759,906)
Right-to-Use Asset - Equipment	(2,006)	(518)	-	(2,524)
Total Capital Assets Being Depreciated and Amortized	(2,942,365)	(258,529)	-	(3,200,894)
Total Capital Assets, Net	\$ 5,912,073	\$ (258,529)	\$ -	\$ 5,653,544

Depreciation and amortization expense for the fiscal years ended June 30, 2024 and 2023, was \$258,011 and \$258,529, respectively.

NOTE 5 – SUMMARY OF LONG-TERM DEBT

Long-term debt consists of the following for the fiscal years ended June 30, 2024 and 2023:

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024	Amount Due Within One Year
Note Payable - Direct Borrowing	\$ 3,240,107	\$ -	\$ (345,613)	\$ 2,894,494	\$ 172,095
Total	\$ 3,240,107	\$ -	\$ (345,613)	\$ 2,894,494	\$ 172,095
	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Amount Due Within One Year
Note Payable - Direct Borrowing	\$ 3,296,673	\$ -	\$ (56,566)	\$ 3,240,107	\$ 167,229
Lease Liability	506	-	(506)	-	-
Total	\$ 3,297,179	\$ -	\$ (57,072)	\$ 3,240,107	\$ 167,229

NOTE 6 – LONG-TERM LIABILITIES

The Joint Powers Agreement establishing the Agency stipulates the guidelines regarding repayment of the debt incurred for the construction of the animal shelter facility. The Joint Powers Agreement stipulates that the first payment was due on the first day of the fiscal year following occupancy. The Agency took occupancy on January 19, 2011, with the first payment due July 1, 2011. The promissory note dated July 1, 2011, was subsequently accepted on July 19, 2018, with an interest rate equal to the average rate earned from time to time by AC 2006 Tobacco Securitization Fund maintained by the County, maturing on July 1, 2036.

The Agency repaid \$345,613 to the County in fiscal year 2023-2024. As of June 30, 2024, the total principal due to the County is \$2,894,494 and will be paid over the course of the remaining 13 years of the agreement for the cost of the animal shelter facility plus interest.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

The Agency repaid \$56,566 to the County in fiscal year 2022-2023. As of June 30, 2023, the total principal due to the County is \$3,240,107 and will be paid over the course of the remaining 14 years of the agreement for the cost of the animal shelter facility plus interest.

Below is an estimated breakout of payments due to the County using the 2.00% interest rate for the fiscal years ended June 30, 2024 and 2023.

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 172,095	\$ 42,169	\$ 214,264
2026	174,673	39,591	214,264
2027	177,290	36,974	214,264
2028	179,947	34,317	214,264
2029	182,643	31,621	214,264
2030-2034	955,094	116,226	1,071,320
2035-2036	1,052,752	26,155	1,078,907
	<u>\$ 2,894,494</u>	<u>\$ 327,053</u>	<u>\$ 3,221,547</u>

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 167,229	\$ 51,795	\$ 219,024
2025	169,972	49,052	219,024
2026	172,759	46,265	219,024
2027	175,592	43,432	219,024
2028	178,472	40,552	219,024
2029-2033	937,236	157,884	1,095,120
2034-2036	1,438,847	78,469	1,517,316
	<u>\$ 3,240,107</u>	<u>\$ 467,449</u>	<u>\$ 3,707,556</u>

NOTE 7 – RISK MANAGEMENT

The Agency is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Agency maintains commercial insurance coverage over each of those risks of loss.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Agency. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2026, which is the date the financial statements were issued. There were no subsequent events identified by management which would require disclosure in these financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members
of the Governing Board
Stanislaus Animal Services Agency
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 Stanislaus Animal Services Agency (the Agency) as of and for the years ended June 30, 2024 and 2023, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendation as items 2024-001, 2024-002, 2024-003, and 2023-001, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Stockton, California
March 18, 2026

**STANISLAUS ANIMAL SERVICES AGENCY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2024 AND 2023**

FISCAL YEAR 2024 AND FISCAL YEAR 2023 FINDINGS AND RECOMMENDATIONS

2024-001

Deficiency in Internal Control over Financial Reporting – Disbursement and Travel Approvals

Condition:

During our audit testing of disbursements and travel expenditures for the fiscal years ended June 30, 2024 and 2023, we noted missing evidence of approval for three cash disbursement transactions tested (FY 2023), missing preapproved travel authorization forms for two travel transactions tested (FY 2023), and one travel transaction tested (FY 2024).

Criteria:

The Stanislaus Animal Services Agency's (the Agency) internal control policies and sound internal control practices require that all disbursements be properly authorized prior to payment and that travel expenditures receive documented preapproval to ensure compliance with Agency policies and budgetary controls.

Cause of Condition:

The deficiencies were caused by inconsistent adherence to established approval procedures and insufficient monitoring to ensure required documentation was obtained and retained prior to processing payments.

Potential Effect of Condition:

Lack of documented approval increases the risk that unauthorized or noncompliant expenditures could occur and not be detected in a timely manner.

Recommendation:

We recommend the Agency strengthen its controls over disbursement and travel expenditures by:

- Ensuring all cash disbursements include documented evidence of approval prior to payment.
- Requiring preapproved travel authorization forms for all travel-related expenditures.
- Implementing a supervisory review process to verify that required approvals are present before transactions are processed.

Management Response:

There is no disagreement with this finding. Management plans to reinforce approval requirements with staff and implement additional review procedures to ensure compliance with Agency policies.

2024-002

Significant Deficiency in Internal Control over Financial Reporting – Cash Reconciliations

Condition:

The Agency did not prepare and retain documented monthly cash reconciliations (or a year-end reconciliation) of its cash balance held in the County of Stanislaus (the County) pooled cash/investment account to the Agency's general ledger for FY 2023 or FY 2024.

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) and sound internal control practices require timely reconciliation of cash balances to ensure accuracy of financial records and to detect errors or irregularities on a timely basis.

Cause of Condition:

Due to staffing constraints and competing priorities, management did not consistently perform or document cash reconciliation procedures during the fiscal years.

Potential Effect of Condition:

Failure to perform cash reconciliations increases the risk that errors, misstatements, or irregularities in cash balances may not be detected timely, potentially resulting in misstated financial statements.

Recommendation:

We recommend the Agency establish and document formal cash reconciliation procedures, including:

- Performing monthly cash reconciliations between the general ledger and County records.
- Ensuring reconciliations are reviewed and approved by an individual independent of cash processing.
- Retaining reconciliation documentation as part of the Agency's accounting records.

Management Response:

There is no disagreement with this finding. Management plans to implement monthly cash reconciliation procedures and assign supervisory review to ensure reconciliations are completed timely and accurately.

2024-003

Significant Deficiency in Internal Control over Financial Reporting – Notes Payable Reconciliation

Condition:

The Agency has a note payable to the County of Stanislaus (County). The Agency receives payments from participating cities intended to fund the Agency's debt service payments on the note. As of the June 30, 2024, year-end, participating-city payments were deposited to the Agency's pooled cash account; however, the funds were not reallocated via journal entry within the County's pooled cash system from the Agency's cash to the County fund/cash account used to apply the debt service payment. As a result, the note payment was not applied timely. The County prepares the note amortization schedule and the Agency reviews it for financial reporting. Due to the late-applied payment and related capitalization of interest under the note agreement, the amortization schedule was calculated incorrectly, and the note payable and related amounts reported in the Agency's basic financial statements were materially misstated.

Criteria:

Debt service payments should be made timely in accordance with the note payable agreement. Management is responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP for the Governmental Accounting Standards Board (GASB). In addition, long-term debt and related interest should be measured and presented based on the terms of the debt instrument and the Agency's actual payment activity.

Cause of Condition:

The journal entry required to reallocate cash within the County pooled cash system to apply the debt service payment was not recorded timely. In addition, controls were not designed and/or operating effectively to ensure (1) participating-city receipts designated for debt service were promptly reallocated and applied to the note, and (2) the amortization schedule prepared by the County was independently recalculated or otherwise verified by the Agency after late payment provisions were triggered.

Potential Effect of Condition:

The debt service payment was applied late, which triggered the note agreement's late-payment provisions, resulting in interest being added to principal and subsequent payments being recalculated based on the increased balance. The amortization schedule was therefore incorrect, and the note payable and related amounts reported in the Agency's basic financial statements were materially misstated. In addition, late payment may increase total debt service costs and may create risk of noncompliance with debt covenants or other contractual requirements.

Recommendation:

We recommend the Agency, in coordination with the County, implement and document procedures to ensure timely application of debt service payments, including: (1) establishing a monthly process to reconcile participating-city receipts to amounts reallocated/applied to the note, (2) assigning responsibility and implementing follow-up controls to confirm the required pooled cash reallocation entries are processed prior to payment due dates, and (3) enhancing the Agency's review of the County-prepared amortization schedule by independently recalculating key amounts (or obtaining supporting detail) whenever payments are late or other contract provisions are triggered. Management should also ensure the basic financial statements reflect the corrected amortization schedule and note payable balances as of year-end.

Client Response:

The Agency concurs that improving controls over debt service payment processing is essential to maintain accuracy, timeliness, and adherence to contractual requirements.

1. The Agency will collaborate with the County to create and document a structured reconciliation process that matches participating-city receipts with the amounts reallocated and applied to the note. This procedure will be integrated into the Agency's quarterly budget review activities.
2. As part of this reconciliation process, the Agency will designate specific staff responsible for initiating and tracking pooled cash reallocation entries. Additional follow-up measures will be implemented to ensure the County completes all necessary reallocations before debt service payment deadlines.
3. Agency staff will also enhance their review of the County-prepared amortization schedule by performing independent recalculations of key figures or requesting supporting documentation when payments are delayed or other contract terms are activated. These review steps will be formally documented to promote consistency and audit readiness.

FISCAL YEAR 2023 FINDINGS AND RECOMMENDATIONS

2023-001

Material Weakness in Internal Control over Financial Reporting

Condition:

The Agency did not accurately record all revenue for fiscal year 2022-23. Notably, the Agency did not account for DocuPet revenues from October 2022 through June 2023 and third and fourth quarter member contributions from some of its member cities.

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) require that revenues be recorded in the period in which they are earned.

Cause of Condition:

Due to the implementation of the Agency's new ERP system and staffing turnover, there was a lower level of oversight and attention to detail over the year-end accrual and closing process.

Potential Effect of Condition:

Licenses and fees revenue and related receivables were understated by \$319,610 as of June 30, 2023. Member contribution revenue and related receivables were understated by \$604,523 as of June 30, 2023.

Recommendation:

We recommend the Agency establish procedures to ensure subsequent receipts are reviewed for the correct accounting period.

We further recommend the Agency develop a formal year-end closing schedule to ensure significant account balances are reviewed and reconciled during year-end closing.

Management Response:

There is no disagreement with this finding.

To the Honorable Members
of the Governing Board
Stanislaus Animal Services Agency
Modesto, California

We have audited the financial statements of business-type activities of the Stanislaus Animal Services Agency (the Agency) for the years ended June 30, 2024 and 2023. 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 February 26, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the years ended June 30, 2024 and 2023. We noted no transactions entered into by the Agency during the years 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. The most sensitive estimates affecting the Agency's financial statements were:

Management's estimates in establishing depreciation. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive financial statement disclosures. There were no particularly sensitive financial statement disclosures.

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. We noted no misstatements that were material, either individually or in the aggregate, to the Agency's 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 March 18, 2026.

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 Agency's 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 Agency's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Stockton, California
March 18, 2026

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation