





IT'S ALL ABOUT THE KIDS

**DATE:** November 8, 2023  
**TO:** First 5 Solano Children and Families Commission  
**FROM:** Denise Winters, Deputy Director  
**SUBJ:** **First 5 Solano FY2022/23 Annual Audit**  
**Motion:** ***Receive the First 5 Solano FY2022/23 Annual Audit***

Enclosed is the FY2022/23 statutorily required independent audit of the First 5 Solano Children and Families Commission. The report will be presented to the Solano County Board of Supervisors on December 5, 2023 and then submitted to the California State Controller's Office.

The fiscal year 2022/23 Financial and Compliance Audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and state requirements contained in the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Once approved, the audit is submitted to First 5 California and the State Controller's Office.

Eide Bailly, the Commission's auditor, reviewed the Commission's overall financial condition, including financial statements, transactions, contracting procedures, record-keeping, and adherence to policies.

The Audit consists of 3 separate reports:

1. The Independent Auditor's Report and Financial Statements
2. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
3. The Independent Auditor's Report on State Compliance

Fiscal year 2022/23 two findings are notated:

**2023-001 Financial Reporting**

Type of Finding: Material Weakness

1. Correction of revenues, expenditures, and receivables for year-end accruals,
2. Correction of revenues for revenues improperly recognized as unearned revenues,
3. Correction of capital assets,
4. Correction of the net pension liability and related deferred inflows and outflows of resources.

**2023-002 Contract Monitoring**

Type of Finding: Material Weakness

1. Management is responsible for establishing policies and procedures to ensure that Commission resources are expended for authorized purposes.

These findings will be reviewed and discussed at the Commission meeting, November 8, 2023.

The FY2022/23 Audit is submitted for Commission's consideration.

[Attachment A](#): FY2022/23 Financial Statements of the First 5 Solano Children and Families Commission



Financial Statements  
June 30, 2023

**First 5 Solano Children and  
Families Commission**  
(a Component Unit of the County of  
Solano, California)

# First 5 Solano Children and Families Commission

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June 30, 2023

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**First 5 Solano Commission  
Membership**

(as of June 30, 2023)

Tyffany Wanberg, Chair  
District 4 Representative

Ami Fabi, Vice Chair  
District 5 Representative

Lisette Estrella-Henderson  
Solano County Superintendent of Schools, Member-at-large

Nikila Walker-Gibson  
District 3 Representative

Erin Hannigan  
Solano County Board of Supervisors District 1

Gerald Huber  
Director of Health & Social Services, Solano County

Neely McElroy  
Deputy Director of Child Welfare Services, Solano County

Tiffanee Jones  
District 1 Representative

Nimat Shakoor-Grantham  
District 2 Representative



## Independent Auditor's Report

To the Board of Commissioners  
First 5 Solano Children and Families Commission  
Vallejo, California

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities and the general fund of the First 5 Solano Children and Families Commission, a component unit of the County of Solano, California (the Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission as of June 30, 2023, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Adoption of New Accounting Standard/Emphasis of Matter

As discussed in Note 1 to the financial statements, the Commission has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, effective July 1, 2022. As a result of implementing the standard, there was no effect on the governmental activities beginning net position. Our opinions are not modified with respect to this matter.

## **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 Commission'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 GAAS 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 GAAS 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 Commission'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 Commission'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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net other post-employment benefit (OPEB) liability, and the schedule of OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

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 opinions on the basic financial statements are not affected by this missing information.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenses by fund source and net position of the Solano County Children and Families Commission (SCCFC) funds for First 5 programs and activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the schedule of expenses by fund source and net position of SCCFC funds for First 5 programs is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the First 5 Commission Membership but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Commission'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 Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
November 1, 2023

First 5 Solano Children and Families Commission  
Statement of Net Position  
June 30, 2023

	Governmental Activities
<b>Assets</b>	
<b>Current Assets</b>	
Cash and investments in County Treasury	\$ 17,279,536
Due from County	348,502
Due from State Commission	588,587
Prepaid items	51,000
Total current assets	18,267,625
<b>Noncurrent Assets</b>	
Capital assets, net	896,475
Right-to-use assets, net	816,908
Total noncurrent assets	1,713,383
Total assets	19,981,008
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	586,584
Deferred outflows related to OPEB	35,526
Total deferred outflows of resources	622,110
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Outstanding warrants	15,725
Accounts payable	485,560
Due to County	58,195
Due to other agencies	55,278
Compensated absences	19,847
Lease liabilities, current	105,350
SBITA liabilities, current	48,309
Total current liabilities	788,264
<b>Noncurrent Liabilities</b>	
Compensated absences, net	96,848
Lease liabilities, net	635,873
SBITA liabilities, net	51,981
Net pension liability	1,854,427
Net OPEB liability	30,078
Total noncurrent liabilities	2,669,207
Total liabilities	3,457,471
	(Continued)

First 5 Solano Children and Families Commission  
Statement of Net Position  
June 30, 2023

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	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	\$ 34,178
Deferred inflows related to OPEB	<u>12,155</u>
Total deferred inflows of resources	<u>46,333</u>
Net Position	
Net investment in capital assets	871,870
Restricted	6,000,000
Unrestricted	<u>10,227,444</u>
Total net position	<u>\$ 17,099,314</u>

First 5 Solano Children and Families Commission  
Statement of Activities  
For the Year Ended June 30, 2023

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and Changes</u>
		<u>Services</u>	<u>and Contributions</u>	<u>in Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Early childhood	\$ 5,560,586	\$ 570,263	\$ 8,826,162	\$ 3,835,839
Interest expense	23,909	-	-	(23,909)
<b>Total Governmental Activities</b>	<b><u>\$ 5,584,495</u></b>	<b><u>\$ 570,263</u></b>	<b><u>\$ 8,826,162</u></b>	<b><u>3,811,930</u></b>
General Revenues				
				299,227
				<u>(57,591)</u>
Total General Revenues				<u>241,636</u>
Change in Net Position				4,053,566
Net Position - Beginning of Year				<u>13,045,748</u>
Net Position - End of Year				<u><u>\$ 17,099,314</u></u>

First 5 Solano Children and Families Commission

Balance Sheet

June 30, 2023

	<u>General Fund</u>
<b>Assets</b>	
Cash and investments in County Treasury	\$ 17,279,536
Due from County	348,502
Due from State Commission	588,587
Prepaid items	<u>51,000</u>
Total assets	<u><u>\$ 18,267,625</u></u>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Outstanding warrants	\$ 15,725
Accounts payable	485,560
Due to County	58,195
Due to other agencies	<u>55,278</u>
Total liabilities	<u>614,758</u>
<b>Fund Balance</b>	
Nonspendable	51,000
Restricted	6,000,000
Committed	5,773,144
Assigned	921,420
Unassigned	<u>4,907,303</u>
Total fund balance	<u>17,652,867</u>
Total liabilities and fund balance	<u><u>\$ 18,267,625</u></u>

First 5 Solano Children and Families Commission  
 Reconciliation of the Balance Sheet of the  
 Governmental Fund to the Statement of Net Position  
 June 30, 2023

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Governmental Fund Balance	\$ 17,652,867
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>	
<p>Capital assets, net of accumulated depreciation used in governmental  activities are not financial resources and, therefore, are not reported in  governmental funds.</p>	896,475
<p>Right-to-use assets, net of accumulated amortization used in governmental activities  are not financial resources and, therefore, are not reported in governmental  funds.</p>	816,908
<p>Deferred inflows and outflows of resources related to the net pension liability  are not due and payable in the current period and therefore, are not reported  in governmental funds:</p>	
Deferred outflows of resources related to pensions	586,584
Deferred inflows of resources related to pensions	(34,178)
<p>Deferred inflows and outflows of resources related to the net OPEB liability  are not due and payable in the current period and therefore, are not reported  in governmental funds:</p>	
Deferred outflows of resources related to OPEB	35,526
Deferred inflows of resources related to OPEB	(12,155)
<p>Long-term liabilities are not due and payable in the current period  and, therefore, are not reported in the funds:</p>	
Compensated absences	(116,695)
Net pension liability	(1,854,427)
Net OPEB liability	(30,078)
SBITA liability	(100,290)
Lease liability	(741,223)
	(1,862,713)
Net position of governmental activities	\$ 17,099,314

**First 5 Solano Children and Families Commission**  
 Statement of Revenues, Expenditures and Changes in Fund Balance of the  
 Governmental Fund to the Statement of Activities  
 For the Year Ended June 30, 2023

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	General Fund
Revenues	
Intergovernmental revenues	\$ 8,501,120
Charges for services	570,263
Investment income	299,227
Unrealized loss on investments	(57,591)
Donations/grants	325,042
Total revenues	9,638,061
Expenditures	
Current	
Strategic plan implementation	
Employee services	1,179,607
Contributions to other agencies	1,000,000
Program evaluation costs	55,364
Countywide admin overhead	50,384
Interfund services	56,209
Professional & specialized services	70,792
Rents & leases	11,394
Memberships	7,074
Transportation & travel	6,990
Communication	6,076
Insurance	32,204
Special departmental expense	1,788
Supplies	3,537
Meals/Refreshments	1,373
Non capitalized equipment	692
Miscellaneous	37,303
Total strategic plan implementation expenditures	2,520,787
	(continued)



**First 5 Solano Children and Families Commission**  
 Statement of Revenues, Expenditures and Changes in Fund Balance of the  
 Governmental Fund to the Statement of Activities  
 For the Year Ended June 30, 2023

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	General Fund
Grants	
Family support	\$ 812,892
Early mental health	251,013
Child care and development	442,858
Annual grants	133,373
Pre-K academy	109,138
Systems change	516,206
Community engagement	61,765
Community responsive minigrants	41,500
Help me grow solano	336,126
Total grant expenditures	2,704,871
Debt service	
Principal	146,970
Interest	23,909
Total debt service expenditures	170,879
Total expenditures	5,396,537
Net Change in Fund Balance	4,241,524
Fund Balance - Beginning	13,411,343
Fund Balance - Ending	\$ 17,652,867

**First 5 Solano Children and Families Commission**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the  
 Governmental Fund to the Statement of Activities  
 For the Year Ended June 30, 2023

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Changes in fund balance - governmental funds	\$ 4,241,524
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets or value of the right-to-use asset is allocated over their estimated useful lives and reported as depreciation or amortization expense.</p>	
Depreciation/amortization expense	(297,128)
<p>Repayment of principal on the lease and SBITA are expenditures in the governmental funds, but is a reduction to the lease liability on the Statement of Net Position.</p>	
Lease liability principal repayment	102,295
SBITA liability principal repayment	44,675
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.</p>	
	(444)
<p>Governmental funds report OPEB plan contributions as expenditures. However, in the statement of activities, OPEB expense is measured as the change in net OPEB liability and the amortization of deferred outflows and inflows related to OPEB. The following amount reflect changes in the OPEB related balances.</p>	
	8,057
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. The following amount reflect changes in the pension related balances.</p>	
	(45,413)
Change in net position of governmental activities	<u><u>\$ 4,053,566</u></u>

**Note 1 - Summary of Significant Accounting Policies****Reporting Entity**

First 5 Solano Children and Families Commission (Commission), a component unit of the County of Solano, California Solano County or (County), was organized on July 8, 1999, by the Solano County Board of Supervisors through the adoption of Ordinance No. 1579 in accordance with the California Children and Families Act of 1998. The Commission currently operates under the State of California Health and Safety Code§ 130100-130155 and Solano County Code§ 7.3. The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage through five years of age. The First 5 Solano Commission is primarily funded by a surtax imposed statewide on the sale and distribution of cigarettes and other tobacco related products.

Solano County is a political subdivision of the State of California. An elected, five-member Board of Supervisors governs the County.

The Commission consists of nine members encompassing a myriad of professional and personal experience. The Board of Supervisors of Solano County approves the appointment of each Commission member's four-year term.

**Basis of Accounting Measurement Focus**

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

**Government-wide Financial Statements**

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

## Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets, current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents inflows (revenues) and outflows (expenditures) in net current assets. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 90 days after year-end. Revenues susceptible to accrual include tax revenues, grant revenues and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences, which are recognized when due and payable at year-end.

## Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net asset that applies to a future period(s) and so will *not* be recognized as an outflow of resources expense/expenditure until then. The Commission reports deferred outflows related to pensions and other post-employment benefits (OPEB). Refer to additional details in note 6 and note 7, respectively.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net asset that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. In the fund financial statements, the Commission has one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental fund sometimes reports unavailable revenues from intergovernmental revenues that have not been received within the period of availability. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Commission also reports deferred inflows related to pensions and OPEB. Refer to additional details in note 6 and note 7, respectively.

### Compensated Absences

As of June 30, 2023, the Commission estimated its liability for vested compensated absences to be \$116,695. Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government wide financial statements and are included in liabilities. The compensated absences are liquidated by the general fund.

**Net Position**

Net position can be displayed in three components:

- Net investment in capital assets - Consists of capital assets including capital assets, leased assets, and subscription assets, net of accumulated depreciation and amortization. At June 30, 2023, \$871,870 was classified as net investment in capital assets.
- Restricted net position – Consists of resources in the net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. At June 30, 2023, \$6,000,000 was classified as restricted for specific purposes. \$1,000,000 and \$5,000,000 is reported as restricted related to funds received from the State of California, passed through the California First 5, to fund the establishment of a Fairfield First 5 Center and development of the Vallejo Early Learning Center, respectively.
- Unrestricted net position – Consists of all other resources making up net position that do not meet the definition of “restricted” or “net investment in capital assets.” At June 30, 2023, \$10,227,444 was unrestricted.

The Commission applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Balance Classification**

Fund balance can be displayed under the following components:

- *Nonspendable Fund Balance* – includes elements of fund balance that cannot be spent because of their form, or because they must be (a) assets that will never convert to cash, such as prepaid items, or (b) resources that must be held intact pursuant to legal or contractual requirements.
- *Restricted Fund Balance* – includes resources that are subject to constraints that are externally enforceable legal restrictions.
- *Committed Fund Balance* – includes amounts that meet one of the following two criteria; (a) use of funds is constrained by limits imposed by formal action of the Commission and removal or (b) modification of use of funds can be accomplished only by the same formal action of the Commission. The Board of Commissioners is the government's highest level of decision-making authority; and the formal action required to be taken to establish, modify, or rescind a fund balance restriction is a majority vote by the Commission.
- *Assigned Fund Balance* – The assigned portion of the fund balance policy reflects the Commission’s intended use of resources, which is established either by the Commission, a body created by the Commission, such as the commission finance committee, or an official designated by the commission (e.g., an Executive Director).
- *Unassigned Fund Balance* – includes resources in fund balance that cannot be classified into any of the other categories.

The Commission has evaluated the composition of its fund balance and has reported the following categories:

- *Nonspendable* – At June 30, 2023, the Commission reported \$51,000 as nonspendable for prepaid items.
- *Committed* – At June 30, 2023, the Commission reported \$5,773,144 as committed for contractual obligations for First 5 program activities approved by the Board of Commissioners.
- *Assigned* – At June 30, 2023, the Commission reported \$921,420 as assigned for contractual obligations for leased office space and equipment and software subscriptions.
- *Restricted* – At June 30, 2022, the Commission reported \$6,000,000 as restricted funds held that are restricted for specific purposes. \$1,000,000 and \$5,000,000 is reported as restricted related to funds received from the State of California, passed through the California First 5, to fund the establishment of a Fairfield First 5 Center and development of the Vallejo Early Learning Center, respectively.
- *Unassigned* – At June 30, 2023, the Commission reported \$4,907,303 as unassigned.

The Commission follows the County's Spending Priority Policy which states that when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is presumed that restricted funds are spent first; and when an expenditure is incurred for purposes for which amounts in any unrestricted fund balances could be used, it is presumed that the committed amounts are spent first, then the assigned amounts, then the unassigned amounts.

### **Pensions**

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The Commission participates in the County of Solano Pension Plan. In general, the Commission recognizes a net pension liability, which represents the Commission's proportionate share of the excess of the total pension liability over the fiduciary net position reflected in the actuarial report provided by the California Public Employee Retirement System (CalPERS). The net pension liability is measured as of CalPERS prior fiscal year end June 30, 2022. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change.

The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources are amortized as pension expense beginning with the period in which they occurred. Investments are reported at fair value.

### **Other Post-Employment Benefits (OPEB)**

In government-wide financial statements, other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as OPEB expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The Commission participates in the County of Solano Retiree Healthcare Plan. In general, the Commission recognizes a net OPEB liability, which represents the Commission's proportionate share of the excess of the total OPEB liability over the fiduciary net position reflected in the actuarial report provided by the County's actuary. The net OPEB liability is measured as of the year end June 30, 2022. Changes in the net OPEB liability are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources are amortized as OPEB expense beginning with the period in which they occurred. Investments are reported at fair value.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Cash and Investments in County Treasury**

The Commission's cash and investments is maintained in the County Treasury and is pooled with the County of Solano and various other depositors. The Commission's ability to withdraw large sums of cash from the County Treasury may be subject to certain restrictions set by the County Treasurer. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. The Solano County Treasury Oversight Committee oversees the Treasurer's investments and policies. The balance of the Commission's investment in the Solano County Treasury pool at June 30, 2023 is \$17,279,536. The County investment pool is not registered with the Securities and Exchange Commission as an investment company and is not rated.

The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the County Board of Supervisors. The objectives of the policy (in order of priority) are: legality, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms of maturity.

### **Fair Value Measurements**

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2023, the Commission held no individual investments. All funds are invested in the County Treasurer's Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals in the Pools are made on the basis of \$1 and not fair value. Accordingly, the Commission's share of investments in the County Treasurer's Investment Pool at June 30, 2023 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

**Due from County**

Due from county represents amounts due to the Commission for early childhood mental health services provided per terms of the County of Solano Memorandum of Understanding 2014-101.

**Due from State Commission**

Due from other agencies represents amounts due to the Commission from the State (First 5 California Children & Families Commission) as of June 30, 2023 for amounts allocated but not received.

**Outstanding Warrants**

Outstanding warrants represent the amount of warrants issued but not yet presented to the County for payment. When warrants are mailed, expenditures are recorded in the Commission's fund and an outstanding warrant liability is created, pending payment of the warrant.

**Accounts Payable**

Accounts payable represents the balance owed for goods received and/or services rendered.

**Due to County**

Due to County represents amounts owed to the County of Solano for grantee services provided by the Department of Health and Social Services.

**Due to Other Agencies**

Due to other agencies represents amounts owed to grantees outside the reporting entity.



### Capital Assets

Capital assets and right-to-use assets (leased assets and subscription assets) are reported in the governmental activities. Capital assets are defined by the Commission as assets with an initial cost of \$5,000 and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Tenant improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of 10-40 years. Equipment is depreciated using the straight-line method over an estimated useful life of 3-7 years. The right-to-use lease assets are recorded at the present value of the lease payments at the inception of the lease. The right-to-use lease asset is recorded as a right-to-use asset and is amortized over the shorter of the assets useful life or the lease term. Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the Commission's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. The right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

### Lease Liabilities

Lease liabilities represent the Commission's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the Commission.

### Subscription Liabilities

Subscription liabilities represent the Commission's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the Commission.

### Effect of New Governmental Accounting Standards Board (GASB) Pronouncements Effective in Current Fiscal Year

**GASB Statement No. 94** – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. The objective of this Statement is to establish standards of accounting and financial reporting for PPPs and APAs. The Statement requires recognition of certain assets, receivables, deferred inflows of revenues (transferor) and liabilities and deferred outflows of resources (operators) for PPP arrangements. This Statement is effective for reporting periods beginning after June 15, 2022. The Commission has determined that there was no material impact on the Commission's financial statements.

**GASB Statement No. 96** – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The Commission implemented this statement as of July 1, 2022. As a result of implementing this standard the Commission recognized a right-to-use subscription asset and subscription liability of \$144,965 and \$144,965 as of July 1, 2022, respectively. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Notes 4 and 5.

**GASB Statement No. 97** – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2022. The Commission has determined that there was no material impact on the financial statements.

**GASB Statement No. 99** – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in account and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The Commission has determined that there was no material impact on the Commission’s financial statements.

**Note 2 - Compensated Absences**

Changes in compensated absences for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Amounts Due Within One Year
Compensated absences	\$ 116,251	\$ 20,291	\$ 19,847	\$ 116,695	\$ 19,847
Total compensated absences	<u>\$ 116,251</u>	<u>\$ 20,291</u>	<u>\$ 19,847</u>	<u>\$ 116,695</u>	<u>\$ 19,847</u>

**Note 3 - Leases**

*Office Space* - In March 2019, the Commission entered into a five-year lease for the rental of office space in Vallejo. The lease included one five-year option, extending the lease term to ten years. The lease commencement date was based on the later of July 1, 2019 or on the notice of occupancy, which occurred in February 2020. Under the terms of the lease, the Commission pays a base amount of \$10,299 per month, plus an annual inflation adjustment. The lease was valued using a discount rate of 3% based on the Commission's incremental borrowing rate.

*Equipment* - In December 2019, the Commission entered into a five-year lease for the rental of copy machines. Under the terms of the lease, the Commission pays \$218 per month. The lease was valued using a discount rate of 3% based on the Commission's incremental borrowing rate.

A summary of the changes in lease liabilities during the year ended June 30, 2023 is as follows:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Due within One Year
Office space	\$ 837,225	\$ -	\$ (99,834)	\$ 737,391	\$ 102,815
Equipment	6,293	-	(2,461)	3,832	2,535
Total	<u>\$ 843,518</u>	<u>\$ -</u>	<u>\$ (102,295)</u>	<u>\$ 741,223</u>	<u>\$ 105,350</u>

The remaining obligations associated with these leases are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 105,350	\$ 20,854
2025	107,294	17,602
2026	109,221	14,367
2027	112,543	11,045
2028	115,947	7,641
2029 - 2030	190,868	4,813
	<u>\$ 741,223</u>	<u>\$ 76,322</u>

**Note 4 - Subscription-Based Information Technology Arrangements (SBITA) Liability**

In the previous year, the Commission entered into contract for a subscription to a grant management software. As of June 30, 2023, the value of the subscription liability was \$100,290. The Commission is required to make annual payments ranging from \$44,675 to \$53,204 each July through July 2024. The subscription liability was valued using a discount rate of 2.35% based on the Commissions incremental borrowing rate.

A summary of the changes in SBITA liabilities during the year ended June 30, 2023 is as follows:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Due within One Year</u>
Subscriptions	<u>\$ 144,965</u>	<u>\$ -</u>	<u>\$ (44,675)</u>	<u>\$ 100,290</u>	<u>\$ 48,309</u>

The remaining principal and interest payments on the SBITA liability is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 48,309	\$ 2,361
2025	51,981	1,224
	<u>\$ 100,290</u>	<u>\$ 3,585</u>

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Deletions/ Adjustments	Balance June 30, 2023
Capital assets being depreciated				
Tenant improvements	\$ 1,620,918	\$ -	\$ -	\$ 1,620,918
Equipment	14,986	-	-	14,986
Total capital assets being depreciated	1,635,904	-	-	1,635,904
Less accumulated depreciation				
Tenant improvements	(594,599)	(135,339)	-	(729,938)
Equipment	(7,243)	(2,248)	-	(9,491)
Total accumulated depreciation	(601,842)	(137,587)	-	(739,429)
Total capital assets being depreciated, net	1,034,062	(137,587)	-	896,475
Right-to-use assets being amortized				
Office space	934,112	-	-	934,112
Equipment	8,681	-	-	8,681
Information technology subscription	144,965	-	-	144,965
Total right-to-use assets being amortized	1,087,758	-	-	1,087,758
Less accumulated amortization:				
Office space	(108,829)	(108,829)	-	(217,658)
Equipment	(2,480)	(2,480)	-	(4,960)
Information technology subscription	-	(48,232)	-	(48,232)
Total accumulated amortization	(111,309)	(159,541)	-	(270,850)
Total right-to-use assets being amortized, net	976,449	(159,541)	-	816,908
Governmental activities capital assets, net	\$ 2,010,511	\$ (297,128)	\$ -	\$ 1,713,383

Depreciation and amortization expense of \$297,128 was charged to the statement of activities in the early childhood function.

**Note 6 - Defined Benefit Pension Plan**

**Plan Description** – The Commission employees participate in the County of Solano’s Miscellaneous defined benefit pension plan administered by the State of California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for California cities and governmental jurisdictions, which participate in this retirement plan. For financial reporting purposes, the Commission reports a proportionate share of the County’s collective net pension liability, pension expense, and deferred inflows and outflows. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost sharing participant.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

**Contributions** – Rates for the County's contributions are set by CalPERS based upon annual experience of County members and on periodic actuarial valuations. The contribution rate for the Commission is established by the County. The Commission contributes the full amount of the employees’ 7.29 percent share of contributions after five years of CalPERS qualifying experience. The employer contribution rate for the fiscal year ended June 30, 2023, is 10.22 percent. For the fiscal year ended June 30, 2023, the Commission was required to contribute \$209,619 to the Plan.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2023, the Commission reported a liability of \$1,854,427 for its proportionate share of the County’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Commission’s proportion of the County’s net pension liability was based on the Commission’s actual contributions to the County’s pension plan relative to the total contributions of the County as a whole. At June 30, 2022, the Commission’s proportionate share was 0.3380 percent and at June 30, 2023 the Commission’s proportionate share was 0.3270 percent, an increase of 0.0340 percent.

For the year ended June 30, 2023, the Commission recognized pension expense of \$255,032. At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 131,142	\$ -
Difference between expected and actual experience	5,601	(34,178)
Net difference between projected and actual earnings on pension plan investments	240,222	-
Employer contributions paid by the Commission subsequent to the measurement date	209,619	-
	<u>\$ 586,584</u>	<u>\$ (34,178)</u>
Total		

\$209,619 reported as deferred outflows of resources related to the Commission’s contributions to the County’s plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission’s proportion of the County’s pension plan will be recognized in pension expense as follows:

Year ended June 30,	
2024	\$ 83,819
2025	77,807
2026	28,882
2027	<u>152,279</u>
Total	<u>\$ 342,787</u>

**Actuarial assumptions** – The Commission’s proportion of the County’s total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.38%
Mortality	Data for All Funds

Changes of Assumptions: Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the discount rate was reduced from 7.15% to 6.90%.

The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using 90% Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 experience study report available on CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class net of administrative expenses:

Asset Class	Target Allocation	Real Return
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	27.00%
Mortgage-backed Securities	5.0%	50.00%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.00%	

**Discount rate** – The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.



**Sensitivity of the Commission’s proportionate share of the County’s net pension liability to changes in the discount rate** – The following table presents the Commission’s proportionate share of the County’s net pension liability calculated using the discount rate of 6.9 percent, as well as what the Commission’s proportionate share of the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate:

	1.00% Decrease 5.9%	Current Discount Rate 6.9%	1.00% Increase 7.9%
Commission's proportionate share of the County's net pension liability	\$ 2,720,479	\$ 1,854,427	\$ 1,154,294

**Pension plan fiduciary net position** – Detailed information about the County’s collective net pension liability is available in the County’s separately issued Annual Comprehensive Financial Report (ACFR). The County’s financial statements may be obtained by contacting the County of Solano, Auditor-Controller’s Office at 675 Texas Street, Suite 2800, Fairfield, California 94533 or visiting the County’s website at [https://www.solanocounty.com/depts/auditor/finance\\_reports.asp](https://www.solanocounty.com/depts/auditor/finance_reports.asp).

Detailed information about the CalPERS fiduciary net position is available in a separately issued CalPERS financial report. Copies of the CalPERS annual report may be obtained from CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811, or visiting [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Note 7 - Other Post-Employment Benefits (OPEB)**

**Plan Description**

The Commission participates in County of Solano Multi-Employer Defined Benefit Healthcare Plan administered by CalPERS. The plan provides postemployment healthcare benefits to eligible retirees by contributing a minimum of \$151 per month towards medical insurance benefits. This benefit is provided based on the Board of Supervisor's election to participate under the Public Employees' Medical and Hospital Care Act (PEMHCA) [Government Code Section 22750]. The County's Board may elect to pay more than the minimum contribution; however, the County's Board has elected to pay the minimum contribution per eligible retiree. The County has not executed a formal plan document that provides for these benefits and the plan does not have a name.

In addition, the County established an irrevocable trust to pre-fund the other postemployment Annual Required Contribution benefits with the Public Agency Retirement Services (PARS). The PARS financial statements and additional reports can be obtained from the PARS website at <http://www.PARS.org>.

For financial reporting purposes, the Commission reports a proportionate share of the County’s collective net OPEB liability, OPEB expense, and deferred inflows and outflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost sharing participant.

Medical coverage is currently provided through CalPERS as permitted under the PEMHCA. This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if new to PERS after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her retirement (pension) benefit within 120 days of terminating employment with the Commission to be eligible to continue medical coverage through the Commission and be entitled to the benefits described below. In other words, it is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution. One exception to this requirement applies only to employees covered by the PEMHCA Vesting resolution who work at least 20 years for the Commission.

**Contributions**

The plan and its contribution requirements are established by memorandums of understanding with the applicable employee bargaining units and may be amended by agreements between the County and the bargaining units. The annual contribution is based on the actuarially determined contribution. Currently, plan members are required to pay the balance of the premiums. The Commission contributed \$17,100 for the fiscal year ended June 30, 2023.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2023, the Commission reported a liability of \$30,078 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021. The Commission's proportion of the net OPEB liability was based on a projection of the Commission's contributions to the OPEB plan relative to the projected contributions of all participating member agencies. At June 30, 2022, the Commission's proportionate share was 0.2453 percent and at June 30, 2023 the Commission's proportionate share was 0.2462 percent, an increase of 0.0009 percent.

For the year ended June 30, 2023, the Commission recognized OPEB expense of \$25,157. At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 17,100	\$ -
Changes in assumptions	7,595	(884)
Differences between actual and expected experience	-	(11,271)
Net difference between projected and actual earnings on plan investments	<u>10,831</u>	<u>-</u>
Total	<u>\$ 35,526</u>	<u>\$ (12,155)</u>

First 5 Solano Children and Families Commission

Notes to Financial Statements

June 30, 2023

\$17,100 reported as deferred outflows of resources related to the Commission’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2024	\$ 537
2025	629
2026	133
2027	5,023
2028	(26)
Thereafter	<u>(25)</u>
Total	<u>\$ 6,271</u>

**Actuarial Assumptions** – The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Valuation Date	January 1, 2021
Discount Rate	5.50%
Inflation	2.75%
Investment Rate of Return	5.50%
Medical Trend	Non-Medicare - 7% for 2023, decreasing to an ultimate rate of 4.0% in 2076 and later years
	Medicare - 6.1% for 2023, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality Improvement	Mortality projected fully generational with Scale MP-2020
Salary Increase	3.00%
Healthcare Participation	50.00%

**Discount Rate** – The discount rate used to measure the total OPEB liability was 5.5 percent for the plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Commission’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	60%	4.56%
Fixed Income	35%	0.78%
Cash	5%	-0.50%
Total	<u>100%</u>	

**Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

– The following presents the Commission's proportionate share of the net OPEB liability, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current discount rate:

	<u>1% Decrease (4.5%)</u>	<u>Discount Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
Net OPEB Liability	\$ 54,737	\$ 30,078	\$ 9,757

**Sensitivity of the Commission's Proportionate Share of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates**

– The following presents the Commission's proportionate share of the net OPEB liability, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate*</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 4,557	\$ 30,078	\$ 62,029

\* Non-Medicare trend rate of 7%, decreasing to an ultimate rate of 4.0% in 2076.

Medicare trend rate of 6.1%, decreasing to an ultimate rate of 4.0% in 2076.

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**Note 8 - Program Evaluation**

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties. For the year ended June 30, 2023, the Commission spent \$55,364 on program evaluation.

**Note 9 - Risk Management**

The Commission through Solano County carries coverage administered through the Solano County Risk Management Division, for all risks under a multi-peril policy, including accident and property, workers' compensation, and general liability insurance programs.

Solano County also participates in the Public Risk Innovation, Solutions, and Management (PRISM), a joint powers authority created to provide self-insurance programs for California counties.

**Note 10 - Related Party Transactions**

The legally required composition of the Children and Families Commission includes a County Supervisor, two County Health & Social Services (HSS) staff members and representatives of agencies and constituencies concerned with children. Some the programs funded by the Commission are operated by organizations represented by Commissioners. Commissioners abstain from voting on and participating in discussions directly related to their respective organizations. Below is a list of Commissioner/organization relations and agreements:

<u>Related Party</u>	<u>Fiscal Year 2022/23 Expenditures</u>
County of Solano Health & Social Services	\$ 60,000
Solano County Office of Education	420,913
Parents By Choice	199,850
County of Solano Auditor-Controller's Office	167,375

The Commission incurred expenditures of \$60,000 for Early Periodic Screening Diagnosis and Treatment, by the Solano County Department of Health and Social Services (H&SS) and \$167,375 for accounting and overhead services in fiscal year 2022/23. At June 30, 2023, \$24,800 is included in Due to County related to these related party transactions.

The Commission incurred expenditures of \$221,287 for services provided related to the Improve and Maximize Programs so All Children Thrive (IMPACT) program, \$10,000 for Pre-Kindergarten Academies program, \$74,983 for the Raising a Reader Program, \$114,643 for Share Services Alliance Network program provided by the Solano County Office of Education in fiscal year 2022/23. At June 30, 2023, \$41,451 is included in accounts payable related to these related party transactions.

First 5 Solano Children and Families Commission

Notes to Financial Statements

June 30, 2023

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The Commission incurred \$199,850 for services provided related to the Triple P program provided by Parents by Choice in fiscal year 2022/23. At June 30, 2023, \$33,150 is included in accounts payable related to these related party transactions.

<u>Related Party</u>	<u>Fiscal Year 2022/23 Revenues</u>
County of Solano Health & Social Services	\$ 586,902

The Commission earned revenues in the amount of \$504,000 for Mental Health Services (HMSA) provided to the County of Solano Department of Health and Social Services (H&SS), \$17,902 for the administration of the Office of Family Violence Prevention (OFVP) provided to the County of Solano County Administrator's Office (CAO), and \$65,000 for Community Investment Fund (CIF) contract management services provided to the County's Community Investment Fund (CIF) initiative in fiscal year 2022/23. At June 30, 2022, \$256,302 is included in Due from County related to these related party transactions.



Required Supplementary Information  
June 30, 2023

# First 5 Solano Children and Families Commission

**First 5 Solano Children and Families Commission**  
**Schedule of Revenues, Expenditures and Changes in the Fund Balance – General Fund**  
**Budget and Actual**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenues	\$ 3,811,030	\$ 3,823,948	\$ 8,501,120	\$ 4,677,172
Charges for services	678,465	678,465	570,263	(108,202)
Investment income	53,211	53,211	299,227	246,016
Unrealized loss on investments	-	-	(57,591)	(57,591)
Donations/grants	235,000	535,000	325,042	(209,958)
Total revenues	4,777,706	5,090,624	9,638,061	4,547,437
<b>Expenditures</b>				
<b>Current</b>				
<b>Strategic plan implementation</b>				
Employee services	1,197,876	1,210,794	1,179,607	31,187
Contributions to other agencies	-	2,130,000	1,000,000	1,130,000
Program evaluation costs	110,400	114,900	55,364	59,536
Countywide admin overhead	50,384	50,384	50,384	-
Interfund services	19,966	21,006	56,209	(35,203)
Professional & specialized services	83,341	96,223	70,792	25,431
Rents & leases	1,138,514	1,138,514	11,394	1,127,120
Memberships	7,500	7,500	7,074	426
Transportation & travel	9,400	7,400	6,990	410
Communication	7,476	7,476	6,076	1,400
Insurance	32,204	32,204	32,204	-
Special departmental expense	4,225	2,000	1,788	212
Supplies	3,000	3,000	3,537	(537)
Meals/Refreshments	2,000	2,000	1,373	627
Non capitalized equipment	3,000	-	692	(692)
Miscellaneous	30,350	30,250	37,303	(7,053)
Total strategic plan implementation expenditures	2,699,636	4,853,651	2,520,787	2,332,864
<b>Grants</b>				
Family support	945,000	1,245,000	812,892	432,108
Early mental health	465,000	465,000	251,013	213,987
Child care and development	552,337	552,337	442,858	109,479
Annual grants	200,000	200,000	133,373	66,627
Pre-K academy	200,000	200,000	109,138	90,862
Systems change	195,000	195,000	516,206	(321,206)
Community engagement	75,000	75,000	61,765	13,235
Community responsive minigrants	45,000	45,000	41,500	3,500
Help me grow solano	300,000	300,000	336,126	(36,126)
Total grant expenditures	2,977,337	3,277,337	2,704,871	572,466
<b>Debt service</b>				
Principal	-	-	146,970	(146,970)
Interest	-	-	23,909	(23,909)
Total debt service	-	-	170,879	(170,879)
Total expenditures	5,676,973	8,130,988	5,396,537	2,734,451
Net Change In Fund Balance	\$ (899,267)	\$ (3,040,364)	4,241,524	\$ 7,281,888
Fund Balance - Beginning			13,411,343	
Fund Balance - Ending			\$ 17,652,867	



First 5 Solano Children and Families Commission  
Schedule of the Commission's Proportionate Share of the Net Pension Liability  
Last Ten Years\*  
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	\$ 1,854,427	\$ 997,333	\$ 1,596,837	\$ 1,440,709	\$ 1,327,469	\$ 1,139,189	\$ 1,347,787	\$ 1,129,735	\$ 1,370,818
Commission's proportionate share of the County's net pension liability	0.3720%	0.3380%	0.3266%	0.3369%	0.3376%	0.3225%	0.3307%	0.4065%	0.4228%
Commission's covered payroll	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009	\$ 517,198	\$ 586,638	\$ 568,283	\$ 560,411
Commission's proportionate share of the County's net pension liability as a percentage of covered payroll	290.53%	166.43%	273.75%	262.24%	232.89%	220.26%	229.75%	198.80%	244.61%
Plan fiduciary net position as a percentage of the total pension liability	71.93%	83.77%	72.04%	72.61%	73.40%	72.12%	72.73%	77.48%	79.35%
Measurement date:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

\* Fiscal year 2015 was the first year of implementation of GASB 68; therefore, only nine years are shown.

Changes of Assumptions: (June 30, 2022 measurement date). The discount rate was changed to 6.90% from 7.15%.  
(June 30, 2021 measurement date). The discount rate was changed from 7.65% (June 30, 2016 measurement date) to 7.15% .  
(June 30, 2017 measurement date). In 2016, there were no changes. In 2015, amounts reflected an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

First 5 Solano Children and Families Commission  
Schedule of Pension Contributions  
Last Ten Years\*  
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 209,619	\$ 202,537	\$ 183,632	\$ 160,421	\$ 132,060	\$ 172,253	\$ 392,311	\$ 268,681	\$ 104,947
Contributions in relation to the actuarially determined contribution	209,619	202,537	183,632	160,421	132,060	172,253	392,311	268,681	104,947
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 665,595	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009	\$ 517,198	\$ 586,638	\$ 568,283
Contributions as a percentage of covered payroll	31.49%	31.73%	30.64%	27.50%	24.04%	30.22%	75.85%	45.80%	18.47%

Notes to Schedule:

\* Fiscal year 2015 was the first year of implementation of GASB 68; therefore, only nine years are shown.

**First 5 Solano Children and Families Commission**  
**Schedule of the Commission's Proportionate Share of the Net OPEB Liability**  
**Last Ten Years\***  
**Years Ended June 30**

	2023	2022	2021	2020	2019	2018
Commission's proportion of the net OPEB liability	\$ 30,078	\$ 7,180	\$ 35,875	\$ 40,039	\$ 46,029	\$ 56,023
Commission's proportionate share of the net OPEB liability	0.2462%	0.2453%	0.2406%	0.2497%	0.2154%	0.2434%
Commission's covered payroll	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009	\$ 517,198
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll	4.71%	1.20%	6.15%	7.29%	8.08%	10.83%
Plan fiduciary net position as a percentage of the total OPEB liability	83.53%	95.82%	77.46%	74.25%	65.40%	60.10%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

\* Fiscal year 2018 was the first year of implementation of GASB 75; therefore, only six years are shown.

Change in assumptions: The discount rate was changed from 6% (June 30, 2020 measurement date) to 5.5% (June 30, 2021 measurement date).

**First 5 Solano Children and Families Commission**  
 Schedule of OPEB Contributions  
 Last Ten Years\*  
 Years Ended June 30

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually determined contributions	\$ 17,100	\$ 15,559	\$ 15,008	\$ 14,817	\$ 12,302	\$ 13,638
Contributions in relation to the contractually determined contributions	<u>17,100</u>	<u>15,559</u>	<u>15,008</u>	<u>14,817</u>	<u>12,302</u>	<u>13,638</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 665,595	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009
Contributions as a percentage of covered payroll	2.57%	2.44%	2.50%	2.54%	2.24%	2.39%

\* Fiscal year 2018 was the first year of implementation of GASB 75; therefore, only six years are shown.

**Budgetary Information**

The Commission shall conform to Solano County Code § 7.3 for the First 5 Solano Children and Families Commission by approving a budget for the fiscal year in accordance with the Solano County annual budget calendar. The budget shall include anticipated revenues to the First 5 Solano Children & Families Trust Fund and shall provide for carrying out the adopted strategic plan. The budget shall be transmitted to the County Administrator for inclusion in the Final Budget of Solano County.

In accordance with provisions of Sections 29000-29144 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget each fiscal year.

An operating budget prepared on the modified accrual basis is adopted each fiscal year.

Expenditures are controlled at the object level for all departments within the County except for capital outlay expenditures, which are controlled at the sub object level. The legal level of budgetary control is at the department level, which is comprised of the Commission's general fund. This is the level at which expenditures may not legally exceed appropriations.

The Commission does not adopt a budget for debt service.



Supplementary Information  
June 30, 2023

# First 5 Solano Children and Families Commission

**First 5 Solano Children and Families Commission**  
 Schedule of Expenses by Fund Source and Net Position of SCCFC Funds for First 5 Programs and Activities  
 Year Ended June 30, 2023

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<u>Program</u>	<u>Source</u>	<u>Revenue SCCFC Funds</u>	<u>Expenses</u>	<u>Change in Net Position</u>	<u>Net Position Beginning of Year</u>	<u>Net Position</u>
IMPACT	Solano County Children and Families Commission (SCCFC) Program Funds	\$ 214,375	\$ 214,375	\$ -	\$ -	\$ -



**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 Board of Commissioners  
First 5 Solano Children and Families Commission  
Vallejo, California

We have audited, 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, the financial statements of the governmental activities and general fund of the First 5 Solano Children and Families Commission, a component unit of the County of Solano, California (the Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated November 1, 2023. Our report included an emphasis of matter regarding the Commission's adoption of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, effective July 1, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) 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 Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.



## **Report on Compliance and Other Matters**

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

## **Commission's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Commission'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
November 1, 2023

2023-001

**Financial Reporting**

**Type of Finding:** *Material Weakness*

*Criteria:*

Management is responsible for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded in accordance with the Generally Accepted Accounting Principles (GAAP).

*Condition:*

During our audit, we identified the following audit adjustments:

1. Correction of revenues, expenditures, and receivables for year-end accruals,
2. Correction of revenues for revenues improperly recognized as unearned revenues,
3. Correction of capital assets,
4. Correction of expenditures related to funds advanced to others, and
5. Correction of the net pension liability and related deferred inflows and outflows of resources.

*Cause:*

For condition 1 above, the accruals were recorded to incorrect accounts.

For condition 2 above, the revenues were improperly recorded as unearned revenues during the period in which the revenues were received and met the criteria for revenue recognition.

For condition 3 above, the balance of capital assets was erroneously adjusted.

For condition 4 above, the Commission did not obtain timely information from the recipient of the advance of expenditures incurred through the fiscal year end.

For condition 5 above, the allocation percentage applied to determine the Commission's net pension liability and related deferred inflows and outflows of resources was incorrect.

*Effect:*

Adjustments were necessary to the present financial statements in accordance with GAAP.

*Recommendation:*

We recommend that management strengthen its review of transactions and year-end closing procedures to ensure that all transactions are properly reflected in the financial statements.

*Views of Responsible Officials and Planned Corrective Action:*

Management agrees with the finding. Management will strengthen its review of transactions and year-end closing, to include additional training and year-end transactions checklist, and working closely with Solano County Auditor Controller's office throughout the fiscal year.

**2023-002**

**Contract Monitoring**

**Type of Finding:** *Material Weakness*

*Criteria:*

Management is responsible for establishing policies and procedures ensure that Commission resources are expended for authorized purposes.

*Condition:*

During fiscal year 2023, the Commission advanced \$1 million to the City of Fairfield, California (City) for a contribution towards the development of the Fairfield First 5 Center. The memorandum of understanding (MOU) between the City and the Commission included a requirement for the City to provide the Commission with a status of the use of funds no later than July 2023. During the course of our audit, we found that the Commission did not obtain or request this report until September 2023. This resulted in a material correction to the financial statements to reflect the expenditure of these funds.

*Cause:*

The Commission's policies and procedures did not include monitoring of the MOU between the Commission and the City to obtain timely reports from the City.

*Effect:*

Adjustments were necessary to the present financial statements in accordance with GAAP.

Without adequate monitoring of the MOU, there is an increased risk of improper use of funds advanced to the City.

*Recommendation:*

We recommend that management strengthen its policies and procedures to ensure that the MOU monitored to obtain timely reporting from the City.

*Views of Responsible Officials and Planned Corrective Action:*

Management agrees with the finding. Management will strengthen its policies and procedures to ensure that the MOU is monitored to obtain timely reporting from the City.



## Independent Auditor's Report on State Compliance

To the Board of Commissioners  
First 5 Solano Children and Families Commission  
Vallejo, California

### Report on Compliance

#### Opinion

We have audited the First 5 Solano Children and Families Commission's (Commission), a component unit of the County of Solano, California, compliance with the requirements specified in *the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2023.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2023.

#### Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

## Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission’s compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission’s compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Commission’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

## Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Accordingly, this report is not suitable for any other purpose.



Sacramento, California  
November 1, 2023