Financial Statements
June 30, 2024

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

EideBailly®

First 5 Solano Commission
Membership

(as of June 30, 2024)

Neely McElroy, Chair
Deputy Director of Child Welfare Services, Solano County Health & Social Services

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

Nimat Shakoor-Grantham
District 2 Representative

Roger Robinson
Assistant Director, Solano County Health & Social Services

Tyffany Wanberg
District 4 Representative

Tiffanee Jones
District 1 Representative

Erin Hanigan
Solano County Board of Supervisors District 1

Nikila Walker-Gibson
District 3 Representative

CPAs & BUSINESS ADVISORS

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 (Commission), a component unit of the County of Solano, California, as of and for the year ended June 30, 2024, 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, 2024, and the respective changes in financial position thereof 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.

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 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 October 24, 2024 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.

Eide Bailly LLP

Sacramento, California
October 24, 2024

	Governmental Activities
Assets	
Current Assets	
Cash and investments in County Treasury	$ 13,305,275
Due from County	347,210
Due from State Commission	378,843
Total current assets	14,031,328
Noncurrent Assets	
Capital assets, net	756,640
Right-to-use assets, net	665,022
Total noncurrent assets	1,421,662
Total assets	15,452,990
Deferred Outflows of Resources	
Deferred outflows related to pensions	570,698
Deferred outflows related to OPEB	28,931
Total deferred outflows of resources	599,629
Liabilities	
Current Liabilities	
Outstanding warrants	62,226
Accounts payable	525,741
Due to County	35,661
Due to other agencies	20,207
Compensated absences	32,528
Lease liabilities, current	107,078
SBITA liabilities, current	51,981
Total current liabilities	835,422
Noncurrent Liabilities	
Compensated absences, net	94,601
Lease liabilities, net	528,795
Net pension liability	1,981,501
Net OPEB liability	9,706
Total noncurrent liabilities	2,614,603
Total liabilities	3,450,025

(Continued)

	Governmental Activities
Deferred Inflows of Resources	
Deferred inflows related to pensions	$ 19,103
Deferred inflows related to OPEB	33,959
Total deferred inflows of resources	53,062
Net Position	
Net investment in capital assets	733,808
Restricted	2,500,000
Unrestricted	9,315,724
Total net position	$ 12,549,532

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Early childhood	$ 10,319,995	$ 657,336	$ 4,287,874	$ (5,374,785)
Interest expense	23,211	-	-	(23,211)
Total Governmental Activities	$ 10,343,206	$ 657,336	$ 4,287,874	(5,397,996)
	General Revenues			
	Investment income			848,214
	Total General Revenues			848,214
	Change in Net Position			(4,549,782)
	Net Position - Beginning of Year			17,099,314
	Net Position - End of Year			$ 12,549,532

	General Fund
Assets	
Cash and investments in County Treasury	$ 13,305,275
Due from County	347,210
Due from State Commission	378,843
Total assets	$ 14,031,328
Liabilities and Fund Balance	
Liabilities	
Outstanding warrants	$ 62,226
Accounts payable	525,741
Due to County	35,661
Due to other agencies	20,207
Total liabilities	643,835
Deferred Inflows of Resources	
Unavailable revenue	183,687
Total Deferred Inflow of Resources	183,687
Fund Balance	
Restricted	2,500,000
Committed	3,457,204
Assigned	744,546
Unassigned	6,502,056
Total fund balance	13,203,806
Total liabilities and fund balance	$ 14,031,328

Governmental Fund Balance	$ 13,203,806
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	756,640
Right-to-use assets, net of accumulated amortization used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	665,022
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:	
Deferred outflows of resources related to pensions	570,698
Deferred inflows of resources related to pensions	(19,103)
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:	
Deferred outflows of resources related to OPEB	28,931
Deferred inflows of resources related to OPEB	(33,959)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(127,129)
Net pension liability	(1,981,501)
Net OPEB liability	(9,706)
SBITA liability	(51,981)
Lease liability	(635,873)
Deferred inflows recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available, were recognized as revenues in the Government-Wide Financial Statement.	183,687
Net position of governmental activities	$ 12,549,532

	General Fund
Revenues	
Intergovernmental revenues	$ 3,787,125
Charges for services	657,336
Investment income	848,214
Donations/grants	317,062
Total revenues	5,609,737
Expenditures	
Current	
Strategic plan implementation	
Employee services	1,257,315
Contributions to other agencies	800,000
Program evaluation costs	164,302
Interfund services	46,230
Professional & specialized services	75,187
Rents & leases	15,006
Memberships	7,167
Transportation & travel	11,280
Communication	7,787
Insurance	37,851
Special departmental expense	6,644
Supplies	2,916
Meals/Refreshments	794
Non capitalized equipment	7,348
Miscellaneous	73,711
Total strategic plan implementation expenditures	2,513,538
Grants	
Family support	882,259
Early mental health	5,311,254
Child care and development	198,460
Annual grants	152,578
Pre-K academy	70,000
Systems change	259,059
Community engagement	75,860
Community responsive minigrants	41,750
Help me grow solano	377,170
Total grant expenditures	7,368,390

(Continued)

	General Fund
Debt service	
Principal	$ 153,659
Interest	23,211
Total debt service expenditures	176,870
Total expenditures	10,058,798
Net Change in Fund Balance	(4,449,061)
Fund Balance - Beginning	17,652,867
Fund Balance - Ending	$ 13,203,806

Changes in fund balance - governmental funds	$ (4,449,061)
Amounts reported for governmental activities in the statement of activities are different because:	
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.	
Depreciation/amortization expense	(291,721)
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.	
Lease liability principal repayment	105,350
SBITA liability principal repayment	48,309
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.	(10,434)
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.	(8,027)
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.	(127,885)
In the Governmental Funds, some prior year receivables were recorded as unavailable revenue due to income not being available. In the Government-Wide Statements, these amounts were recognized as income on the full accrual basis of accounting in the prior year.	183,687
Change in net position of governmental activities	$ (4,549,782)

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 (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 be 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, 2024, the Commission estimated its liability for vested compensated absences to be $127,129. 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, 2024, $725,757 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, 2024, $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, 2024, $9,309,615 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*:*

- *Restricted* – At June 30, 2024, the Commission reported $2,500,000 as restricted funds held that are restricted for specific purposes. $1,000,000 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. $1,500,000 is reported as restricted related to funds received from the Yocha Dehe Tribe to fund First 5 Vallejo Center operations.
- *Committed* – At June 30, 2024, the Commission reported $3,457,204 as committed for contractual obligations for First 5 program activities approved by the Board of Commissioners.
- *Assigned* – At June 30, 2024, the Commission reported $744,546 as assigned for contractual obligations for leased office space and equipment and software subscriptions.
- *Unassigned* – At June 30, 2024, the Commission reported $5,515,436 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, 2023. 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, 2023. 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, 2024 is $13,305,275. 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, 2024, 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, 2024 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, 2024 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 $7,500 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 aright-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. 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 financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement 53 are effective for fiscal years beginning after June 15, 2023. The Commission has determined that there was no material impact on the Commission's financial statements.

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. 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, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Compensated absences	$ 116,695	$ 42,962	$ 32,528	$ 127,129	$ 32,528
Total compensated absences	$ 116,695	$ 42,962	$ 32,528	$ 127,129	$ 32,528

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, 2024 is as follows:

	Balance at July 1, 2023	Additions	Reductions	Balance at June 30, 2024	Due within One Year
Office space	$ 737,391	$ -	$ (102,815)	$ 634,576	$ 105,996
Equipment	3,832	-	(2,535)	1,297	1,082
Total	$ 741,223	$ -	$ (105,350)	$ 635,873	$ 107,078

The remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2025	$ 107,078	$ 17,602
2026	109,221	14,367
2027	112,543	11,045
2028	115,947	7,641
2029	119,493	4,095
2030	71,591	718
	$ 635,873	$ 55,468

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, 2024, the value of the subscription liability was $51,981. 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, 2024 is as follows:

	Balance at July 1, 2023	Additions	Reductions	Balance at June 30, 2024	Due within One Year
Subscriptions	$ 100,290	$ -	$ (48,309)	$ 51,981	$ 51,981
	$ 100,290	$ -	$ (48,309)	$ 51,981	$ 51,981

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

Fiscal Year Ended June 30,	Principal	Interest
2025	$ 51,981	$ 1,224
	$ 51,981	$ 1,224

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024 is as follows:

	Balance June 30, 2023	Additions	Deletions/ Adjustments	Balance June 30, 2024
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	(729,938)	(135,339)	-	(865,277)
Equipment	(9,491)	(4,496)	-	(13,987)
Total accumulated depreciation	(739,429)	(139,835)	-	(879,264)
Total capital assets being depreciated, net	896,475	(139,835)	-	756,640
Right-to-use assets being amortized				
Office space	934,112	2,294	-	936,406
Equipment	8,681	-	(193)	8,874
Information technology subsciption	144,965	18,359	-	163,324
Total right-to-use assets being amortized	1,087,758	20,653	(193)	1,108,604
Less accumulated amortization:				
Office space	(217,658)	(109,630)	-	(327,288)
Equipment	(4,960)	(2,452)	-	(7,412)
Information technology subsciption	(48,232)	(60,650)	-	(108,882)
Total accumulated amortization	(270,850)	(172,732)	-	(443,582)
Total right-to-use assets being amortized, net	816,908	(152,079)	(193)	665,022
Governmental activities capital assets, net	$ 1,713,383	$ (291,914)	$ (193)	$ 1,421,662

Depreciation and amortization expense of $312,567 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' 7.61percent share of contributions after five years of CalPERS qualifying experience. The employer contribution rate for the fiscal year ended June 30, 2024, is 10.84 percent. For the fiscal year ended June 30, 2024, 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, 2024, the Commission reported a liability of $1,981,501 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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, 2023, the Commission's proportionate share was 0.3270 percent and at June 30, 2024 the Commission's proportionate share was 0.3476 percent, an decrease of 0.0244 percent.

For the year ended June 30, 2024, the Commission recognized pension expense of $343,613. At June 30, 2024, 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	$ 74,559	$ -
Difference between expected and actual experience	52,563	19,103
Net difference between projected and actual earnings on pension plan investments	227,848	-
Employer contributions paid by the Commission subsequent to the measurement date	215,728	-
Total	$ 570,698	$ 19,103

$215,728 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, 2025. 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,	
2025	$ 107,064
2026	57,704
2027	164,935
2028	6,164
Total	$ 335,867

Actuarial assumptions – The Commission's proportion of the County's total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary increases	Varies by Entry Age and Serivce
Investment Rate of Return	6.90%
Mortality	Derived using CalPERS' membership data for all funds

Changes of Assumptions: With the June 30, 2022 valuation date (June 30, 2023 measurement date), there were no changes in assumption.

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.

All other actuarial assumptions used in the June 30, 2022 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%	0.27%
Mortgage-backed Securities	5.0%	0.50%
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	$ 2,873,060	$ 1,981,501	$ 1,242,489

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.

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.

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 $157 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 $17,260 for the fiscal year ended June 30, 2024.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, the Commission reported an liability of $9,706 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023. 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, 2023, the Commission’s proportionate share was 0. 2462 percent and at June 30, 2024 the Commission’s proportionate share was 0.2409 percent, an decrease of 0.0053 percent.

For the year ended June 30, 2024, the Commission recognized OPEB expense of $25,287. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 17,260	$ -
Changes in assumptions	-	10,220
Differences between actual and expected experience	6,193	23,739
Net difference between projected and actual earnings on plan investments	5,478	-
Total	$ 28,931	$ 33,959

$17,260 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2025	$	(3,739)
2026		(4,224)
2027		561
2028		(4,379)
Thereafter		(10,507)
Total	$	(22,288)

Actuarial Assumptions – The total OPEB liability in the January 1, 2023 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, 2023
Discount Rate	5.25%
Inflation	2.50%
Investment Rate of Return	5.25%
Medical Trend	Non-Medicare - 8.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years
	Medicare (Non-Kaiser)- 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years
	Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years
Mortality Improvement	Morality projected fully generational with Scale MP-2021
Salary Increase	2.75%
Healthcare Participation	50.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.25 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:

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

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 (4.25%) or 1-percentage-point higher (6.25%) than the current discount rate:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net OPEB Liability / (Asset)	$ 10,935	$ 9,706	$ (26,869)

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:

	1% Decrease	Current Trend Rate*	1% Increase
Net OPEB Liability / (Asset)	$ (30,066)	$ 9,706	$ 15,527

* Non-Medicare trend rate of 8.50%, decreasing to an ultimate rate of 3.45% in 2076.
Medicare (Non-Kaiser) trend rate of 7.50%, decreasing to an ultimate rate of 3.45% in 2076.
Medicare (Kaiser) trend rate of 6.25%, decreasing to an ultimate rate of 3.45% 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, 2024, the Commission spent $217,958 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:

Related Party	Fiscal Year 2023/24 Expenditures
County of Solano Health & Social Services	$ 26,750
Solano County Office of Education	184,613
Parents By Choice	259,136
County of Solano	126,233

The Commission incurred expenditures of $26,750 for Early Periodic Screening Diagnosis and Treatment, by the Solano County Department of Health and Social Services (H&SS) and $126,233 for accounting and overhead services performed by the County in fiscal year 2023/24.

The Commission incurred expenditures of $184,613 for services provided related to the Universal Pre-Kindergarten ($95,165) efforts and for Share Services Alliance Network ($89,447) program provided by the Solano County Office of Education in fiscal year 2023/24. At June 30, 2024, $16,940 is included in accounts payable related to these related party transactions.

The Commission incurred $259,136 for services provided related to the Triple P program provided by Parents by Choice in fiscal year 2023/24.

Related Party	Fiscal Year 2023/24 Revenues
County of Solano Health & Social Services	$ 557,218

The Commission earned revenues in the amount of $557,218 for Mental Health Services (HMSA) provided to the County of Solano Department of Health and Social Services (H&SS).

Required Supplementary Information
June 30, 2024

First 5 Solano Children and Families Commission

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Intergovernmental revenues	$ -	$ 8,655,292	$ 3,787,125	$ (4,868,167)
Charges for services	671,555	671,555	657,336	(14,219)
Investment income	300,000	300,000	848,214	548,214
Donations/grants	-	5,000	317,062	312,062
Total revenues	971,555	9,631,847	5,609,737	(4,022,110)
Expenditures				
Current				
Strategic plan implementation				
Employee services	-	1,288,038	1,257,315	30,723
Contributions to other agencies	-	-	800,000	(800,000)
Program evaluation costs	-	120,000	164,302	(44,302)
Countywide admin overhead	23,623	23,623	(9,729)	33,352
Interfund services	-	19,520	55,959	(36,439)
Professional & specialized services	-	7,600,098	75,187	7,524,911
Rents & leases	1,182,897	1,182,897	15,006	1,167,891
Memberships	7,500	7,500	7,167	333
Transportation & travel	-	9,400	11,280	(1,880)
Communication	7,557	7,557	7,787	(230)
Insurance	37,851	37,851	37,851	-
Special departmental expense	-	2,225	6,644	(4,419)
Supplies	-	3,190	2,916	274
Meals/Refreshments	2,000	2,000	794	1,206
Non capitalized equipment	-	8,000	7,348	652
Miscellaneous	-	32,650	73,650	(41,000)
Total strategic plan implementation expenditures	1,261,428	10,344,549	2,513,477	7,831,072
Grants				
Family support	-	762,700	882,259	(119,559)
Early mental health	550,000	550,000	5,311,254	(4,761,254)
Child care and development	667,337	667,337	198,460	468,877
Annual grants	160,000	160,000	152,578	7,422
Pre-K academy	100,000	100,000	70,000	30,000
Systems change	298,000	298,000	259,059	38,941
Total grant expenditures	2,225,337	2,988,037	7,368,390	(835,294)
Total expenditures	3,486,765	13,332,586	10,058,737	6,818,908
Fund Balance - Beginning	$ (2,515,210)	$ (3,700,739)	(4,449,000)	$ 17,652,867
Fund Balance - Beginning			17,652,867	
Fund Balance - Ending			$ 13,203,867	

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	$ 1,981,501	$ 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	0.3476%	0.3720%	0.3380%	0.3266%	0.3369%	0.3376%	0.3225%	0.3307%	0.4065%	0.4228%
Commission's covered payroll	$ 665,595	$ 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	297.70%	290.53%	166.43%	273.75%	262.24%	232.89%	220.26%	229.75%	198.80%	244.61%
Plan's fiduciary net position										
Plan fiduciary net position as a percentage of the total pension liability	71.66%	71.93%	83.77%	72.04%	72.61%	73.40%	72.12%	72.73%	77.48%	79.35%
Measurement date:	June 30, 2023	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

Note to Schedule:

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.

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 215,728	$ 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	215,728	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	$ 819,548	$ 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	26.32%	31.49%	31.73%	30.64%	27.50%	24.04%	30.22%	75.85%	45.80%	18.47%

Schedule of the Commission's Proportionate Share of the Net OPEB Liability
Last Ten Years*
Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018
Commission's proportion of the net OPEB liability (Asset)	$ 9,706	$ 30,078	$ 7,180	$ 35,875	$ 40,039	$ 46,029	$ 56,023
Commission's proportionate share of the net OPEB liability	0.2409%	0.2462%	0.2453%	0.2406%	0.2497%	0.2154%	0.2434%
Commission's covered payroll	$ 665,595	$ 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	1.46%	4.71%	1.20%	6.15%	7.29%	8.08%	10.83%
Plan fiduciary net position as a percentage of the total OPEB liability	106.00%	83.53%	95.82%	77.46%	74.25%	65.40%	60.10%
Measurement Date	June 30, 2023	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 seven years are shown.

Change in assumptions: The discount rate was changed from 5.5% (June 30, 2022 measurement date) to 5.25% (June 30, 2023 measurement date). The inflation rate was changed from 2.75% (June 30, 2022 measurement date) to 2.5% (June 30, 2023 measurement date). The investment rate of return was changed from 5.5% (June 30, 2022 measurement date) to 5.25% (June 30, 2023 measurement date). The Medical Trends changed for Non-Medicare 7% for 2024, decrease to an ultimate rate of 4% in 2076 and later years (June 30, 2022 measurement date) to 8.5% for 2024, decrease to an ultimate rate of 3.45% in 2076 and later years (June 30, 2023 measurement date). The Medical Trends was changed for Medicare was 6.10% for 2024, decreasing to an ultimate rate of 4% in 2076 and later years (June 30, 2022 measurement date) to breaking out by Medicare (Non-Kaiser) 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years and Medicare (Kaiser) 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years (June 30, 2023 measurement date). The salary increase was changed from 3% (June 30, 2022 measurement date) to 2.75% (June 30, 2023 measurement date). The discount rate was changed from 6% (June 30, 2020 measurement date) to 5.5% (June 30, 2021 measurement date).

	2024	2023	2022	2021	2020	2019	2018
Contractually determined contributions	$ 17,260	$ 17,100	$ 15,559	$ 15,008	$ 14,817	$ 12,302	$ 13,638
Contributions in relation to the contractually determined contributions	17,260	17,100	15,559	15,008	14,817	12,302	13,638
Contribution deficiency (excess)	$ -	$ -	$ -		$ -	$ -	$ -
Covered payroll	$ 705,224	$ 665,595	$ 638,290	$ 599,237	$ 583,314	$ 549,380	$ 570,009
Contributions as a percentage of covered payroll	2.45%	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 seven 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, 2024

First 5 Solano Children and Families Commission

Program	Source	Revenue SCCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position
IMPACT	Solano County Children and Families Commission (SCCFC) Program Funds	$ 83,624	$ 83,624	$ -	$ -	$ -

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 Frist 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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 24, 2024.

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 Commission'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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2024-001.

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

Eide Bailly LLP

Sacramento, California
October 24, 2024

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, 2024.

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, 2024.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001. Our opinion on the California Children and Families Program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the commission's response to the noncompliance findings identified in our audit and escribed in the accompanying schedule of findings and quested costs. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program 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 with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item 2024-001 to be a material weakness.

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.

Eide Bailly LLP

Sacramento, California
October 24, 2024

2024-001 **Procurement**
Type of Finding: *Material Weakness, Material Instance of Noncompliance*

Criteria:

Management is responsible for following its procurement policies related to maintaining documentation related to sole source justifications.

Condition:

We noted that out of four (4) out of 4 contracts tested during the year, there was no sole source justification included within the file.

Cause:

The Commission did not follow it's procurement policies.

Effect:

The Commission has instances of noncompliance.

Recommendation:

We recommend that management strengthen its policies and procedures to ensure that the Commission maintains its sole source justification.

Views of Responsible Officials and Planned Corrective Action:

Management agrees with the finding. Management will strengthen its understanding of procurement and review policies and procedures to ensure that documentation and steps are followed through each contract.

Financial Statement Findings

Finding No.	Category	Status of Corrective Action
2023-001	Financial Reporting	Implemented
2023-002	Contract Monitoring	Implemented